

**EFFECTUAL ENTREPRENEURSHIP AND THE SOCIAL ENTERPRISE: AN
EXAMINATION OF THE FIT BETWEEN THE PRINCIPLES OF EFFECTUATION
AND THE SPHERE OF THE SOCIAL ENTERPRISE AS A FORM OF NEW
VENTURE**

A thesis submitted in fulfilment of the requirements for the degree of

Doctor of Philosophy

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Declaration

I certify that, except where due acknowledgment has been made, the work is that of the author alone; the work has not been submitted previously, in whole or in part, to qualify for any other academic award; the content of the thesis is the result of work which has been carried out since the official commencement date of the approved research program; any editorial work, paid or unpaid, carried out by a third party is acknowledged, and ethics procedures and guidelines have been followed.

Anne-Valérie Ohlsson

Date: 5/12/2013

The reasonable man adapts himself to the world, the unreasonable one persists in trying to adapt the world to himself. Therefore all progress depends on the unreasonable man.

George Bernard Shaw

Acknowledgements

In 2007, I co-authored a book titled “A Dream with a Deadline.” Its main message centered on developing a clear corporate vision and executing it. Originally written for organizations, I used a modified version of the model with individuals, working with them to decide what their dreams were and how to achieve them. Standing in front of a class or group, I would often have to come up with my own example of a dream with a deadline. I consistently and skillfully skirted the doctorate dream.

In reality, this dream has been inordinately long in the making. I had two false starts, where I bored myself with my own topics, and gratefully clung on to the excuse that I could not possibly write a thesis and a book at the same time. Five books later, I was still looking for an excuse not to write the thesis, even though by then I was profoundly smitten with academia and knew I wanted an academic career. Mentors at IMD, friends, co-authors, all encouraged me to start, reminding me that I would not enjoy much of a teaching career if I did not complete my thesis.

I met Kosmas at a conference on family businesses through our common friend, Joachim Schwass. He too suggested that I work on my doctorate. It took 10 years before our paths converged again. I then spent almost two years working with a social enterprise, researching what I wanted to work on.

The rest, as they say, is history.

My debt of gratitude to Kosmas is immense. I could never have completed this journey without him. He guided me across unknown territory, encouraged me when I could see no end, and put up with my frustration and insecurities. I tried to take quite a few shortcuts and he caught me out each time, forcing me to take the harder, but so much more meaningful, road. Without him, there would be no dissertation.

On a journey like this one, many individuals influence us, some unknowingly, some purposefully. Since my introduction to academia was through IMD, and I worked there for 12 years, many of my mentors were from that great school. In particular, I am indebted to Xavier Gilbert for hiring me and for not suffering fools easily; Joe di Stefano for introducing me to servant leadership and helping me grow as a writer, Stewart Hamilton for his patience with my non-existent finance skills, Jacques Horovitz for his relentless fight against mediocrity, Paul Strebel for forcing me to use my brain and for introducing me to solid strategic concepts, and many friends too, among them Jan Kubes, Leif Sjoblom, Kamran Kashani, Martha Maznevski, Jean-Pierre Lehman, Jean-Philippe Deschamps, Joachim Schwass, John Ward, Peter Lorange, Peter Killing, Tom Malnight, Ralf Boscheck, Phil Rosenzweig, Carlos Cordon, ... Many of my colleagues became dear friends, and our meandering and seemingly haphazard academic conversations shaped my thinking, in particular Karsten Jonsen (who also kept pushing me to complete my thesis), Jean Louis Barsoux, Rhoda Davidson, Nancy Lane, Atul Pahwa, Persita Egeli, Karin Oppegaard, Anna Eckhardt...

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she led her life and in her academic rigor. Sarah Mavrinac's dedication to educating those less fortunate represented a turning point – it convinced me of the power of education and reiterated that I was on the right track and that it was all worth it. Saras Sarasvathy's work on entrepreneurship showed me how a single, determined individual can have an impact. Philip Zerrillo was both a mentor and an inspiration. He encouraged me, supported me and reminded me that hard work was the norm, not the exception. My examiners, Professors Rajesh Chandy and Gerard Seijts provided valuable feedback that made this thesis a much better piece of work.

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Summary

The present thesis aims to determine whether the decision-making processes that lead to the launch of social enterprises are consistent with frameworks embraced by commercial ventures. This summary opens with an outline of the objectives of this thesis and a presentation of social entrepreneurship, the context within which the work was undertaken. A statement of the rationale for engaging in the research, including the nascent nature of the field and a dearth of research into success factors of social enterprises, follows. Next, the pertinent literature is reviewed. The present methodology is described along with a theoretical basis of case study methodology. This case study led to the formulation of a conceptual framework and seven propositions from which to assess the decision-making processes of social entrepreneurs and their impact on the sustainability of the firm. As outlined in the Discussion, this thesis has important research, practical, and policy implications.

Currently, it is estimated that social enterprises employ over 40 million people worldwide, excluding a further 200 million volunteers (Leadbeater, 2007). What was once a charitable pursuit has grown to include a multitude of players from the for-profit world: political activists and philanthropists, but also venture capitalists, heads of corporate social responsibility departments, and government bodies. As social entrepreneurship activity grows, so does the need to understand what might best be

defined as a hybrid between the profit and non-profit worlds. Extant research and pertinent literature focuses on defining social enterprises, understanding funding models, and determining measures for return on investment (Hockerts, 2006; Lehner & Kansikas, 2011; Mair & Marti, 2006). However, very little research has been undertaken on identifying those factors, such as decision-making processes, that influence the launch and sustainability of social ventures.

This thesis aims to examine whether the decision-making processes that lead to the launch of social enterprises are consistent with frameworks embraced by commercial ventures. A research question (RQ) was formulated within the context of this aim:

RQ: How might effectuation theory guide the development of a conceptual model of social enterprise venture creation?

There are at least four reasons why this research is necessary. First, there is a dearth of research on links between social entrepreneurs, social enterprises, new venture creation, and what might affect the success of such ventures (Rangan, 2008). Because social enterprises are correlated primarily with charity, and their emergence *en masse* is a relatively recent phenomenon, most research (Dees, 2001) has focused on defining the phenomenon, and classifying these enterprises along a continuum, less so on understanding social venture creation and sustainability (Leadbeater, 1997; Mair & Marti, 2004; Ridley-Duff & Bull, 2011).

Second, there is relatively little research on whether theories that aim to explain entrepreneurial success – such as effectuation (Read, Sarasvathy, Dew, Wiltbank, & Ohlsson, 2011) – are applicable to social enterprises, and what the

implications might be. Part of the reason is that the most widely accepted measure of success for firms has been Return on Investment (RoI). This measure is deemed inappropriate in the context of social enterprises as the intended impact cannot easily be measured by financial instruments and might produce returns far off in the future (Santos, 2009). For example, how does one measure the impact of a loan to a woman from a developing country who goes on to run a microbusiness, which then allows her to send her children to school?

Third, for a number of years, social enterprises were portrayed at opposing ends of the business spectrum: either as charities (they attract funds from donors) or for-profit businesses (they have a for-profit angle). The question then became: How can organizations whose primary purpose is the pursuit of a social or charitable mission, pursue entrepreneurial goals? (Chell, 2007) This position assumes that the primary purpose of entrepreneurial ventures is the creation of wealth. Yet, this is not necessarily the case – for many entrepreneurs, the creation of wealth is merely a by-product, an indicator of success (Read et al., 2011). Indeed, it is recognized that what entrepreneurs do is create something of value (Chell, 2007), and what a social enterprise or social entrepreneur brings to a society can be categorized as value.

Finally, it is only by recognizing social enterprises as a new and separate form of venture (neither charity nor commercial, but a hybrid) that one can begin to develop principles that might be applicable to the field and determine what success might look like for these ventures (Dees & Anderson, 2006). For clarity, this thesis employs the following definition of social entrepreneurship:

A social entrepreneur identifies and attempts to solve a social problem.

A social enterprise uses business principles to solve, or attempt to solve, social problems. For a business to be recognized as a social enterprise, it needs to dedicate a majority of its activity, and generate a majority of its profit, from solving a social problem (Ashoka, 2010, p. 3).

The underlying premise guiding this thesis is that a social enterprise is but one type of new venture. The launch of a social venture is often the result of entrepreneurs' desires to address an existing social problem, in contrast to new market creation through the design of a new product or service (Larson, 2000). Notwithstanding, the decision-making process – as defined within the effectuation framework (Read et al., 2011; Sarasvathy, 1997, 2008) – and the evolution of the venture are hypothesized to be similar to that of commercial new ventures.

This thesis is divided into six chapters. Chapter 1 provides an introduction to the topic. Chapter 2 presents an in-depth review of the relevant literature and focuses on two streams of research: Entrepreneurship and social entrepreneurship. Chapter 3 discusses the theoretical framework underpinning this thesis, the backbone of which is effectuation. The chapter critically reviews effectuation as a theoretical paradigm for understanding the decision-making processes of social entrepreneurs, building on the work of researchers and academics including Schumpeter (1934), Shackle (1973), Drucker (2001), and Dees (2001). This review provides insights into how effectuation might best begin to bridge the gaps between existing theories of entrepreneurship and thus of new venture creation, and social enterprises as a form of new venture. Chapter 4 describes the present methodology while Chapter 5 reports on the aidha case study.

aidha is a Singapore-based social enterprise founded in 2006. Its mission is to provide financial (savings) and entrepreneurial (micro & small business) education to migrant workers. The case provides an overview of the venture's foundation and growth. Decisions made by aidha's founder, Dr. Sarah Mavrinac, are explored in relation to the decision-making principles of effectuation to determine their applicability to social entrepreneurs. Chapter 5 culminates in the establishment of a set of seven testable propositions and a conceptual model of social venture creation. Chapter 6 provides a detailed examination of outcomes emanating from this research. This final chapter is divided into two main sections. The first section discusses the implications of findings from the case study and the conceptual model that emerged from these findings. In particular, the importance of committed stakeholders and partners is highlighted. The second part of the chapter discusses limitations as well as the implications of the findings for research, policy, and practice. Finally, a brief concluding section provides directions for further research.

Literature Review

As a field of study, social entrepreneurship emerged over the past 20 years, with academics, practitioners, and funders studying and documenting cases of how nonprofits adopted *market-based approaches* (Davis, 2002, p. 14) to achieve their social missions. The early work on social enterprises naturally followed from investigation into entrepreneurship, which had itself pursued diverse paths. Initially, entrepreneurship research looked at *who* entrepreneurs were (Begley, 1987; Gartner, 1998; Naffziger, 1995; Shaver & Scott, 1991), and whether venture creation could be correlated with distinctive personality traits. Research then shifted to the *what*, in an

attempt to understand the interaction between environments, context, past experiences, and new venture creation (Chell, 1985; Giddens, 1984). Finally, research looked at the *how* of entrepreneurial processes (Kirzner, 1982; Stevenson & Jarillo, 1990; Venkataraman, 1990). This school of thought proposed that entrepreneurs act irrespective of available resources (Stevenson & Jarillo, 1990). Accordingly, how entrepreneurs access resources became an important component of research on new venture creation. Dees (2001) suggested that entrepreneurs pursue opportunities in an innovative manner, while accessing resources they might not yet possess, in order to create value; Hart (1995) proposed that some resources were unique to an individual, providing a competitive edge. It is this body of research that became the core of investigation into social entrepreneurship.

Resources are both more readily accessible (in the form of grants) and scarcer (difficult access to traditional financial markets) for social entrepreneurs than for commercial entrepreneurs. This is where the current thesis extends existing research, by suggesting that the most critical resource for social entrepreneurs is not their means, but their partners. In line with Stevenson and Jarillo (1990), and Dees (2001), it does not matter whether entrepreneurs own, need to find ways of gaining access to, or even haphazardly combine existing resources (Levi-Strauss, 1967). What matters is their ability to convince and retain committed stakeholders.

In the case of social enterprises, plausible courses of action are co-determined with committed stakeholders, who often take the form of benefactors and philanthropists on the one hand, and activists and champions of the cause on the other hand. In either case, these stakeholders come to the table with their own means, influencing the agendas and direction of enterprises, and generating new sub-goals for

ventures. The close interrelation between entrepreneurs and partners is particularly true in the case of social enterprises, wherein an entrepreneur's goal might be to impact, for example, health. In this context, the nature of partnerships formed, as well as an individual's means, will determine whether a venture focuses on water, diseases, food, inter alia.

While the importance of partnerships in the new venture creation value chain is not explicitly singled out in the effectuation literature, its pivotal role in the sustainability of ventures becomes clear when looking at the creation and growth of social enterprises. By understanding the nature and importance of partnerships, it will be possible to help social entrepreneurs decide on what, how, where, or when to allocate their limited resources (including time) to what will have the greatest impact on the sustainability of the venture.

Method

This thesis adopts a longitudinal, qualitative, case-study approach, enabling the richness and profundity of information critical to understanding the decision-making processes of social entrepreneurs to emerge. The rationale behind the choice of aidha is that it represents a *typical* social enterprise, the present researcher had established rapport and trust with the venture's founder, and had access to the setting (Yin, 1998). The 8 months spent with aidha allowed for the collection of data along longitudinal points (Yin, 2003). Exploration was carried out both at an individual level (with the founder) and at an organizational level (embedded case study). Comparisons between data derived from the present case study and the principles of effectuation allowed for

an assessment of whether effectuation is indeed useful in understanding new social venture creation.

Participant

As referred to earlier, the present case study is that of aidha, a social enterprise based in Singapore. Founded in 2006, aidha provides financial and entrepreneurial education to migrant women employed in Singapore. As such, aidha's goal is to extend the microcredit model developed by Grameen Bank by encouraging its students to save their income (rather than – or in addition to – borrowing) and build sustainable businesses that might support them and their families back home.

Procedure

While data collection and analysis is a dynamic and interactive process that happens concurrently (Taylor & Bogdan, 1998), the two aspects are treated separately to a great extent in this thesis. Data were collected, transcribed, analyzed, and written in case-study form, exploring for patterns that would reveal how the founder made her decisions and how the organization evolved as a venture. These patterns were then compared with those purported by effectuation logic. A set of propositions and a framework for decision-making in social enterprises was developed.

Data collection procedures

aidha was studied in what in ethnography is termed overt research, where a researcher's identity is known to all participants (O'Reilly, 2005). Daily interaction allowed the current investigator to capture and clarify decisions as they were made.

Participating in conversations and watching interactions between team members and how these evolved over time allowed for a rich and layered observation not possible when interaction is sporadic.

Several primary and secondary sourcing methods were used to collect data, including interviews with the founder, analysis of the school's documentation, *hanging out* and *listening in* (Strauss, 1987). In the context of this thesis, *hanging out* and *listening in* took place on location (in the common room, on Sundays during class, during breaks, over lunch). As a member of the management team, the present researcher had the opportunity to sit in on all meetings, including board meetings. The mix of sources is in line with recommendations from the literature and Glaser's (1978) statement that all is data. This approach reflects ethnographic traditions of collecting data from as many facets of life as possible (O'Reilly, 2005). In the daily interaction with staff and students, the present researcher took notes on decisions made and on the content of conversations. Observations were noted directly into the case study template or in a notebook.

Data were collected without attempting to categorize what was being recorded. The objective was to follow the decision-making process of the founder and how she went about creating and developing a social venture. The decision to dissociate data recording and analysis was made consciously to remain objective and avoid fitting events into pre-existing categories. When data collection involved interviews, responses were written down and then sent back to the interviewee for validation. Interviews were conducted at the end of this study, with an additional two-hour follow-up interview conducted a couple of months after the end of this study. The purpose of

this last interview was to fill in gaps in the history of the enterprise and confirm the current researcher's interpretation of decisions made by the founder.

Data analytic procedures

Textual analysis of company documents and contextual information provided a deep understanding of the organizational culture as well as a balanced analysis around the evolution of this organization (e.g., Did the language and objectives of the social enterprise evolve over time?). The textual analysis included organizational documentation produced during the course of the study. Data are presented in the classical case-study format, including the founding and history of the organization, target group, mission statement, theoretical foundation, context, issues of funding and financing, strengths and weaknesses, strategy and outreach.

Results and Discussion

Effectuation appears to be an appropriate lens through which to view social entrepreneurship. The current research seems to indicate that when entrepreneurs eschew one or more of the principles of effectuation, the likelihood of success is impacted. This finding is illustrated by aidha's incapacity to build sustainable partnerships and bring on board committed stakeholders at critical junctures during the enterprise's development. This observation would tend to indicate that not only are each one of the principles important but also that the factors comprising the process of effectuation work together as a gestalt: It is insufficient to think in terms of affordable loss for example, and not build strong partnerships, or vice versa.

As outlined below, analysis of the present case led to the formulation of seven propositions, culminating in the development of a conceptual model of social enterprise creation (Figure 1). Figure 1 shows the key factors that impact the decisions made by founders as they strive to launch and develop sustainable social ventures. At the launch, social entrepreneurs consciously, or unconsciously, take stock of their means. This process includes an assessment of their affordable loss (e.g., How long can I run this venture with currently available funds?). This assessment influences the structure of the venture: whether it will be a small garage venture launched on the side of an existing job, or a large, fully-fledged social enterprise. During phases of growth, social entrepreneurs seek partners to help them achieve their mission. These partners – which include both individuals whom an entrepreneur might know, as well as others encountered along the way and who are as yet unknown – add their means to the venture. They might also influence the original mission. Partners contribute to the sustainability of the venture through the means they bring with them, adding to the means of social entrepreneurs, ultimately changing their affordable loss threshold. Finally, contingencies, both positive and negative, can have a moderating effect on the sustainability of the social enterprise.

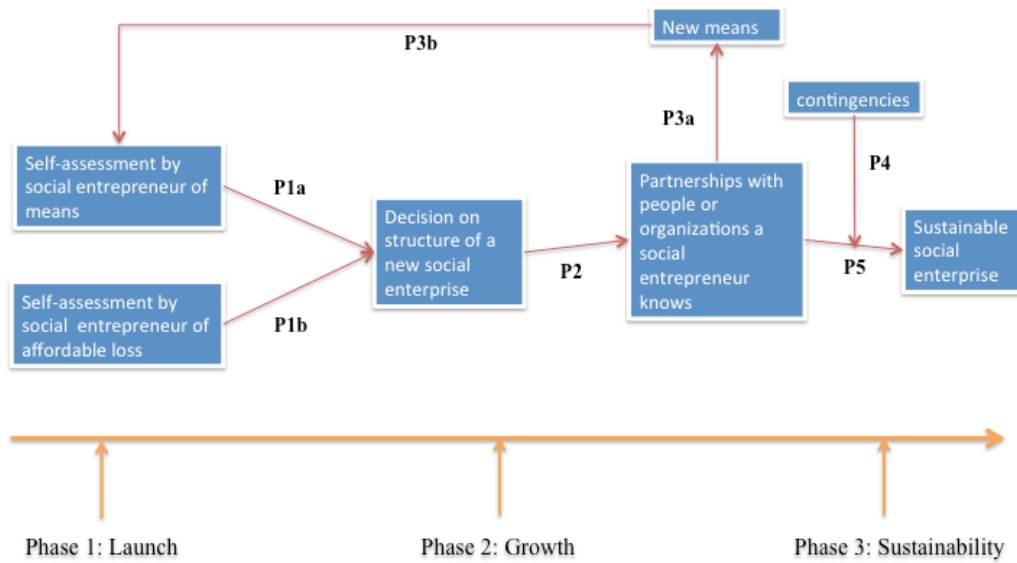


Figure 1. A conceptual model of social enterprise venture creation

As shown in Figure 1, the seven propositions are:

Proposition 1a: *At launch of a new social enterprise, entrepreneurs begin by self-assessing their personal means (who I am, who I know, what I know) in order to form a basis from which to decide what structure a new social enterprise will take.*

Proposition 1b: *At launch of a new social enterprise, entrepreneurs begin by self-assessing their personal affordable loss (time, money, reputation, inter alia) in order to form a basis from which to decide what structure a new social enterprise will take.*

Proposition 2: *Decisions regarding what structure a new social enterprise will take influence the quality and type of partnerships with individuals or organizations a social entrepreneur knows.*

Proposition 3a: *The quality and type of partnerships with individuals or organizations a social entrepreneur knows contribute to the development of new means for social entrepreneurs.*

Proposition 3b: *The quality and type of new means available to a social entrepreneur augment the personal means available to social entrepreneurs.*

Proposition 4: *Contingencies moderate associations between the quality and type of partnerships with individuals or organizations a social entrepreneur knows and the sustainability of a social enterprise.*

Proposition 5: *The quality and type of partnerships with individuals or organizations a social entrepreneur knows influence the sustainability of a social enterprise.*

Limitations

This thesis involves three principle limitations: Use of a single case, defining and operationalizing social entrepreneurship, and the use of effectuation as a theoretical framework. The choice of working with a single case study methodology has epistemological and ontological implications. This thesis suffers from the usual limitations associated with a single-case study. For example, the particular industry (education) and size of the social enterprise (500 volunteers), as well as the background and personality of Mavrillac, might have influenced the results, affecting any attempt at generalization. Clearly the present study will have to be replicated to validate the proposed model.

A further limitation lies with defining and operationalizing premises of social entrepreneurship, let alone entrepreneurship. Regardless of which theories are chosen, researchers must be mindful of this limitation. It is only if one agrees that entrepreneurship is the process by which individuals create and/or pursue opportunities without regard for the resources they currently control (Hart, Stevenson, & Dial, 1995;

Stevenson & Jarillo, 1990), thereby creating new organizations (Gartner, 1988) and creating value for the community at large (Peredo & Mclean, 2006), that one might agree that social entrepreneurship is a form of new enterprise and that social entrepreneurs might employ similar decision-making processes to other entrepreneurs. As a result, social enterprises should exhibit effectual principles. Their founders would be expected to start with their means, build partnerships with committed stakeholders, consider affordable loss, and welcome contingencies as part of new venture creation. Notwithstanding, qualitative studies provide opportunities for developing and refining concepts, creating new categories that help sense making. Over three decades ago, Spencer and Dale (1979) argued that: *new conceptualizations are the most important contributions to knowledge, for they enable one to define and, thereby, control reality (p.58).*

Finally, use of effectuation as the theoretical basis for this thesis carries its own limitations. Effectuation builds on a specific body of entrepreneurship research, that which looks at the process by which new ventures are created. As such, it sits in the how, rather than who or what camp of research, as highlighted in the literature review section of this summary. Effectuation is built on the study of expert entrepreneurs, and has a qualitative basis, not a quantitative one. Furthermore, scholars have argued that effectuation does not sufficiently explain the entrepreneurial process and its relation to firm survival and growth (Kraaijenbrink, 2008).

Implications for research

Findings of the current thesis have important implications for policy, practice, and research. This thesis adds to the body of work on social entrepreneurship by

proposing a set of principles pertinent to commercial enterprises, and demonstrating their applicability to social enterprises (in line with Dees, 2001; Peredo & Mclean, 2006). Adoption of these principles helps further understanding of how social entrepreneurs launch ventures and what factors impact the sustainability of those ventures. As such, this research extends the validity of effectuation into the realm of social enterprises while focusing on an element that appears critical to the sustainability of social ventures: the importance of partnerships. The founder of aidha, Mavrinac, confirmed that she had underestimated the importance of partnerships, seeing them instead as relationships that required more nurturing and time than she had the time for.

A second, related implication for research is that pertaining to entrepreneurship in emerging economies. While some scholars believe that these micro-entrepreneurs will never make the transition to small- and medium-sized businesses (Schoar, 2010), others believe that it is a matter of creating an enabling environment (de Mel, McKenzie, & Woodruff, 2010). One way of supporting these micro-enterprises is by providing relevant, hands-on entrepreneurial education along the lines of that developed by aidha (Chandy & Narasimhan, 2011).

The third implication for research relates to the development of a conceptual framework to help frame the decision-making processes of social entrepreneurs. The current framework builds on the effectual design for new venture creation (Read et al., 2011), putting it in the social enterprise context. This framework should be developed further and the current suggestion that partnerships are important to the sustainability of social enterprises merits testing. In addition, this model should stimulate the development and testing of alternative models. Literature focusing on resource appropriation and allocation (effectuation, bricolage, and other resource-based views of

firm formation) might present a useful starting point (Dees, 2001; Stevenson & Jarillo, 1990).

Implications for policy

Social enterprises are often found to operate in areas where there is a much higher potential for value creation than for value appropriation (Chell, 2007). This tendency to occupy the value creation space is important because it has an impact on the types of stakeholders that opt into a venture (Santos, 2009). Increasingly, businesses, nonprofits, and governments work together in what might be regarded as blended value creation where social and economic factors are combined to develop ethical or social capital (Bull et al., 2008). By proposing a different way of looking at social enterprises, this thesis helps those who invest in social enterprises think about some of the elements that determine the sustainability of a social venture. For example, potential partners might choose to assess a social entrepreneur's affordable loss and means in order to determine whether these are aligned and sufficient for success.

This research is also important to policy makers involved in stimulating employment in emerging markets. It is critical that we understand, through the help of systematic research, how best to help entrepreneurship grow in emerging markets (Anderson et al., 2011). Indeed, *we need a much more nuanced and detailed understanding of [micro and small entrepreneurs] before appropriate policies can be devised* (de Mel, McKenzie, & Woodruff, 2010, p. 25). As noted above, while micro-entrepreneurship is widespread, few entrepreneurs grow their businesses beyond a size that allows for basic poverty alleviation. By supporting these entrepreneurs with financial, managerial and social capital, their energy and determination can be funneled

to fuel growth and prosperity rather than frustration and unrest (Chandy & Narasimhan, 2011). This would take *teach to fish rather than fish* to an entirely new level, truly focusing on the individual and providing these entrepreneurs with lifelong skills.

The current research also has implications for policy-makers at the governmental level. Governments should be encouraged to reassess, evaluate and clarify policies relating to micro-entrepreneurship. For example, education could be made a pre-condition to lending, and barriers to employment for small businesses could be eased.

Finally, if further research continues to demonstrate the importance of partnerships in the sustainability of social enterprises, networks comprising social enterprises, philanthropic institutions, government bodies and the constituencies of the social enterprises should support the development of strong partnerships.

Implications for practice

Implications for practice impact a number of players in the field, including social enterprises, microfinance institutions, providers of education, philanthropists and global networks such as the Skoll foundation or Ashoka.

Initial findings outlined in this thesis appear to indicate that social enterprises are launched using the same set of heuristics as other forms of commercial new ventures. This finding, if confirmed by further research, might help practitioners build successful enterprises by alerting them to what might be critical points to consider at launch. Thinking along effectual lines helps social entrepreneurs do consciously what they might otherwise have done subconsciously, if at all. Recognizing ones' means, building networks of committed stakeholders, assessing one's and other's affordable

losses and embracing contingencies can lead to successful and resilient organizations. As such, social entrepreneurs and their funders should re-examine the adequacy and solidity of their means and partnerships.

Schools should consider whether the curriculum offered to young adults and teenagers is appropriate and sufficient. Microfinance institutions should consider partnering with education service providers: After all, if their clients' businesses are more successful, the loans will be paid back without depending on the group to stand in for defaulting borrowers, thereby increasing the wealth and wellbeing of the community.

This research similarly has implications for the corporate social responsibility (CSR) efforts of large corporations. By supporting the development of a healthy local economy, in this case through education around running successful small businesses, companies could further support poverty alleviation. By thinking about the sustainability of the social enterprises they support, and by contributing to sustainability through the development of robust partnerships, businesses could encourage the growth of these enterprises by developing global networks comprising relevant actors.

Conclusion

Findings of the present thesis have a number of important implications for the field of social entrepreneurship, as well as for public policy makers and organizations that support the development of social ventures. On the practical side, findings from this thesis appear to indicate that social enterprises function along the same decision-making principles as other forms of commercial new ventures, helping practitioners

build successful enterprises by adding to their toolbox. Thinking along effectual lines helps entrepreneurs do consciously what they might otherwise have done subconsciously. In addition, providing a framework within which to assess potential indicators of sustainability helps investors in social enterprises make informed choices. On the theoretical side, this thesis contributes to theory on social entrepreneurs and the launch of social enterprises, while also addressing claims that social enterprises cannot be viewed through the same lens as for-profit enterprises (Austin, Stevenson, & Wei-Skillern, 2006; Dees & Anderson, 2003). Indeed, findings indicate that effectuation is a useful tool for assessing the decision-making principles of social entrepreneurs and that the various elements that compose effectuation logic are important in determining the sustainability of a social enterprise. As such, this thesis extends the use of the effectuation framework from commercial entrepreneurship to social entrepreneurship.

To conclude, the primary contribution to the field is the manner in which this study has looked the launch of social enterprises in a new way. The present findings are important, as social enterprises are a growing phenomenon around the world. Researchers, policy makers, consultants, and practitioners are therefore advised to consider the importance of committed stakeholders and partners in the success and, therefore, sustainability of social enterprises.

Chapter 1

Introduction

Beginning with a statement of purpose and an outline of the objectives of this thesis, Chapter 1 establishes the context for this research by looking into the sphere of the social enterprise, and discussing its similarities with and differences from for-profit enterprises. This thesis takes the stance that social enterprises are but one form of new venture. Next, effectuation and why effectuation can be used to assess the decision-making processes of social entrepreneurs is discussed. Chapter 1 concludes with an outline of the thesis structure.

The Sphere of the Social Enterprise

We are in the midst of a rare, fundamental structural change in society: Citizens and citizen groups are beginning to operate with the same entrepreneurial and competitive skill that has driven business ahead over the last three centuries. People all around the world are no longer sitting passively idle; they are beginning to see that change can happen and that they can make it happen. (Ashoka, www.ashoka.org)

A number of researchers advance that there are different rules for social enterprises and that modern management principles, in particular those pertaining to commercial new ventures, are said to not be applicable to social enterprises (Austin et al., 2006; Begley, Boyd, & David, 1987; Chell, 2007). This thesis investigates this claim. By using a field setting, the present thesis determines the efficacy of using a specific set

of principles, developed for for-profit entrepreneurial ventures, to explain the formation and success (or failure) of social enterprises.

The underlying premise guiding this work is that a social enterprise is but one type of new venture. It is specific in that its creation is often the result of entrepreneurs' desire to address an *existing* social problem, in contrast to new market creation through the design of a *new* product or service. However, the decision-making process – as defined within the effectuation framework (Sarasvathy, 1997, 2008; Read et al., 2011) – and the evolution of the venture are hypothesized to be similar to that of other forms of new venture.

The current thesis adopts a longitudinal, qualitative case-study method, enabling the richness and depth of information that is critical to understanding the decision-making processes of a social entrepreneur to emerge. Comparisons between data derived from the present case study and the principles of effectuation allow for an assessment of whether effectuation is indeed useful in understanding how social enterprises are launched and whether or not they are successful.

Findings have implications for the field of social entrepreneurship, as well as for public policy makers and organizations that support the development of new ventures. This thesis contributes to theory on the social entrepreneur and the launch of social enterprises, while also addressing claims that social enterprises cannot be viewed through the same lens as for-profit enterprises (Austin et al., 2006; Dees & Anderson, 2003).

This thesis aims to determine whether effectual principles of entrepreneurship are applicable to social enterprises. More specifically, are the decision-making

processes that lead to the launch of social enterprises consistent with frameworks embraced by commercial ventures? By looking at social entrepreneurs' decision-making processes through the lens of effectuation, this thesis aims to contribute to understanding the phenomenon of the social enterprise, and more specifically, what makes it a venture, whether it can be understood using principles developed in the for-profit world, and whether these can help us determine firm sustainability.

It is currently estimated that social enterprises employ over 40 million people around the world, excluding a further 200 million volunteers (Leadbeater, 2007). What was once a charitable pursuit has grown to include all the players of the for-profit world: political activists and philanthropists, but also venture capitalists, heads of corporate social responsibility departments, and government bodies. And as social entrepreneurship activity grows, so does the need to understand what might best be defined as a hybrid between the profit and the non-profit world. Current research and pertinent literature focuses on defining social enterprises, understanding funding models and attempting to determine measures for return on investment (Hockerts, 2006; Lehner & Kansikas, 2011; Mair & Marti, 2004). A majority of the work centers on defining the phenomenon and classifying these enterprises along a continuum (Dees, 2001; Rangan, Leonard, & McDonald, 2008). However, very little research has been done on what helps social enterprises become successful and sustainable (Ryan, 2009).

There are at least four reasons why this research is necessary. First, there is a dearth of research on links between social entrepreneurs, social enterprises, new venture creation, and what might affect the success of such ventures (Rangan, 2008). Because social enterprises were associated principally with charity, and their emergence *en masse* is a relatively recent phenomenon, most research (Dees, 2001) has focused on

defining the phenomenon, less so on understanding how social entrepreneurs launch themselves into ventures and what makes these enterprises successful. As a result, there is limited theory around social enterprises as a form of new venture (Chell, 2007) largely because social enterprises are not necessarily viewed as commercial ventures per se. In reality, definitions of what or who *is* a *social* entrepreneur suffer from the same caveats as definitions of what (or who, depending on the school) is an entrepreneur.

Second, there is also very little (one might argue no) research on whether theories that explain entrepreneurial success, such as effectuation (Read et al., 2011), are applicable in the social enterprise sphere, and what the implications might be. Part of the reason is that the most widely accepted measure of success for firms has been Return on Investment (RoI). This measure is deemed inappropriate in the context of social enterprises as the intended impact cannot easily be measured by financial instruments and might produce returns far off in the future (for example, how does one measure the impact of a loan to a woman from a developing country who goes on to run a microbusiness, which then allows her to send her children to school?). Social RoI and Social Accounting are two of the measures currently employed in the social enterprise field but both are seen as being incomplete measures of success (Gordon, 2009).

Third, for a number of years, social enterprises were described at the two ends of the business spectrum: either as a form of charity (since they attract funds from donors) or as any other for-profit business (since they have a for-profit angle). Problems surrounding the definition of social enterprises stem from the following question: How can an organization whose primary purpose is the pursuit of a social or charitable mission pursue entrepreneurial goals (Chell, 2007)? This position assumes

that the primary purpose of entrepreneurial ventures is the creation of wealth. Yet, this is not necessarily the case – for many entrepreneurs, the creation of wealth is merely a sub-product, an indicator of success (Read et al., 2011). Indeed, it is recognized that what entrepreneurs *do* is create something of value (Chell, 2007), and what a social enterprise or social entrepreneur brings to a society can be categorized as value.

Finally, it is only by recognizing social enterprises as a new and separate form of venture that one can begin to develop principles that might be applicable to the field and determine what success might look like (Dees & Anderson, 2006). In order to share a common base, this thesis employs the following definition of the social enterprise:

A social entrepreneur identifies and attempts to solve a social problem.

A social enterprise uses business principles to solve, or attempt to solve, social problems. For a business to be recognized as a social enterprise, it needs to dedicate a majority of its activity, and generate a majority of its profit, from solving a social problem. (Ashoka white paper, 2010, p.

3)

In the context of the current thesis, it is critical to distinguish between a charity, which aims to solve social issues but is funded through grants and donations, and a social enterprise, which has goals that might be similar, but which needs to develop a sustainable business model of doing good. While social enterprises can survive on the basis of philanthropic donations, such revenue sources are increasingly discouraged (at least for the long term). Voluntary contributions, donations, and grants can provide social entrepreneurs access to a specific category of means, but in the long

run, their viability is determined by the success of a venture's model and its ability to generate its own revenue. As such, these organizations need to behave entrepreneurially.

As research in the field evolved in the 1990s and early 21st century, a number of researchers (Christensen, 2000; Dees, 1998; Drucker, 1993; Gartner & Shane, 1995; Peredo & McLean, 2006) began to recognize that social enterprises exhibit mixed characteristics: both philanthropic and commercial (Dees, 2001). Alter (2006) summarizes the perceived tension between entrepreneurial approaches to problem-solving and resource access and allocation:

First, the nature of the desired social change often benefits from an innovative, entrepreneurial, or enterprise-based solution. Second, the sustainability of the organization and its services requires diversification of its funding stream, often including the creation of earned income opportunities. (p. 205).

Peredo and McLean (2006) concur, suggesting that social entrepreneurs pursue the creation of social value by recognizing and exploiting opportunities, innovation, and risk tolerance and/or a drive to achieve set goals. These authors offer a definition of social enterprises akin to that of commercial enterprises. The only distinction can be found in the access to resources. Peredo and McLean (2006) suggested that social entrepreneurs strive for goals almost independently of available resources. Bearing in mind the latter point, it appears that social enterprises are indeed but one form of new venture and that therefore, effectuation is a viable framework within which to study this group.

If one agrees that social enterprises are hybrids of commercial enterprises and nonprofits, then it is necessary to turn to the entrepreneurship literature to understand how research on new venture creation might help determine a framework and a set of guiding principles for social entrepreneurs. While research into entrepreneurial activity began in the 1960s, it was not until the 1980s that a set of theories was promulgated. Not surprisingly, these theories followed the dominant paradigms (for example, interactionism, personality, constructionism) of the times. For example, in the 1980s, entrepreneurial activity was viewed through the lens of interactionism or situationism, which suggested that the environment affected personality and that as a result opportunity selection was a function of an interaction between individuals and environments/situations (Chell, 1985; Giddens, 1984). These theories shifted the debate from specific personality traits held by entrepreneurs to their interactions and influence by external factors. As such, enterprising individuals assessed situations and made decisions around possible futures ring-fenced by past experiences and contexts. This thinking walked hand-in-hand with cognitive constructionism whereby individuals label future options based on past experiences and learning, informing a knowledge pool (Martin & Sugarman, 1996). In reality, research was primarily concerned with understanding whether one could determine upfront which ventures might be successful based on unique traits, which one might be able to single out in enterprising individuals. To some extent, this research has carried the legacy of Burrell and Morgan's (1979) functionalist paradigm, which postulates that human behavior is rational and that organizational behavior can be explained through hypothesis testing. Unfortunately, after over 30 years of research, no single entrepreneurial trait was singled-out. The literature hit similar hurdles to that which strove to understand higher than average skill

groups. For example, in the case of chefs, the only conclusive findings were that there were more serial killers in the chef population than the average (Read et al., 2011). Obviously, this tells us very little about what it takes to become a successful chef.

In 1990, Stevenson and Jarillo (1990) defined entrepreneurship as *the process by which individuals pursue opportunities without regard to resources they currently control* (p. 23). This definition is grounded in a belief that any entrepreneurial venture that is unconstrained by resource selection can be successful. Hart, Stevenson, and Dial (1996) added to this definition in their seminal work around individual or venture-specific resources – in essence the idea that some resources could not be acquired freely on the market but were instead specific to individuals and integral to their success, thereby generating specific trust in the market. In turn, Kwiatkowski (2004) suggested that entrepreneurs held other types of resources, including emotional intelligence and tacit knowledge, which entrepreneurs unconsciously brought to the table, assets which determined the competitive advantage (or not) of new firms.

This thesis argues that these resource-based and situation-specific views of entrepreneurship address but one of the elements that define entrepreneurial activity. Obviously, determining specific resource needs, finding potential partners, obtaining buy-in and structuring a venture have a clear impact on new venture success (Nanda, 1992; Venkataraman, Van de Ven, Buckeye, & Hudson, 1990) but are insufficient to explain entrepreneurial approaches to launching new businesses. Instead, this thesis suggests that effectuation is well suited to understand and measure entrepreneurial activity. Effectuation attempts to explain how entrepreneurs make decisions in the face of non-existent markets (or not existing today), uncertainty, risk, and unpredictability, and it hinges on the notion that entrepreneurs *effectuate* a transformation (Sarasvathy,

1997, 2008). Part of the answer lies in four principles that are at the core of the framework. These principles were derived from over 10 years of research into entrepreneurs regarded as experts and are explained later in this introduction, on pages 30–31.

The early theories led to development of the dominant theory on entrepreneurship today, the causal theory of entrepreneurship, known colloquially as *Search and Select* (Read et al., 2011). This theory is derived from classical economic theory of supply and demand: Companies enter a market by searching and selecting the best opportunity, whether through innovation, a better offering, or by responding to explicit or implicit consumer demands (unmet needs). The potential of markets can be determined through existing data with sufficient precision and depth to be useful. As such, the causal theory of entrepreneurship is useful in one subset of entrepreneurial ventures—those that happen within a predictable environment (Read et al., 2011). It assumes that new ventures are suitably close to existing businesses to be able to benefit from relevant historical data and that they operate in environments that are sufficiently stable for past patterns and recurrences to be relevant for future markets (Sarasvathy, Dew, Read, & Wiltbank, 2008).

One of the weaknesses of the causal theory of entrepreneurship is that it does not say how the search is actually conducted, only that it will culminate in a set of given possibilities from which entrepreneurs can choose (Sarasvathy, 2008). In addition, goals are established up-front, thereby excluding change and contingencies from the equation. In the context of social enterprises, the search and select approach is weak: Social entrepreneurs have no existing models to follow, and often have no idea what the size of the *market* might be (March, 1982). Goals are often defined in broad terms:

eradicate aids, poverty, and illiteracy as opposed to *start a new restaurant, launch a tablet*, and potential stakeholders are less clear upfront, while the target population, or *consumer/customer* is much clearer and is often a very specific subset of a population. It is by going back to the original thinking around *entreprendre* (from the French *to undertake*) that one begins to find paths back to the social enterprise. The first of these paths is that of demand.

It was Schumpeter (1934) who first suggested that demand could be created. He theorized that innovations were in fact *new combinations* – existing things were combined in new ways – something he called transformations. These transformations translated back into products and services, new markets, new distribution methods *inter alia*. Shackle (1973) in turn wondered what other competencies entrepreneurs might require beyond opportunity spotting, suggesting that imagination had to go hand-in-hand with planning if the results of creative processes were to lead to entrepreneurial action. Kirzner (1982), too, argued that entrepreneurs were characterized by alertness, creativity, boldness, and constant change. As such, entrepreneurs are seen as creating their own reality, a social construct built around possible futures. Goodman (1978) followed in Schumpeter's footsteps, looking at transformation through co-creation. Goodman theorized that when two stakeholders made a commitment, they transformed what existed into something new. Christensen (2000), and Kim and Mauborgne (2005) in turn explored actors operating in uncertain environments. More specifically, these researchers focused on innovation and new market creation. While Christensen concentrated primarily on those actors who had an uncertain environment imposed on them (*victims*), Kim and Mauborgne took an opposing view: How can economic actors turn the existing environment on its head, thereby creating uncertainty for others?

Figure 1.1 below summarizes these theories and their contribution to effectuation. The idea that demand is created (Schumpeter) led the proponents of effectuation to work on co-creation, suggesting that entrepreneurs use their imagination to create their own reality (Goodman, Shackle, Kirzner), and co-create this reality with committed stakeholders. This creation of reality is, in part, an attempt by entrepreneurs to control their own reality rather than try to predict a reality in a market that is yet to be created (Kim & Maubourgne). Because entrepreneurs cannot predict this market, they consider their affordable loss rather than expected returns, accepting that contingencies may change the *plan* along the way.

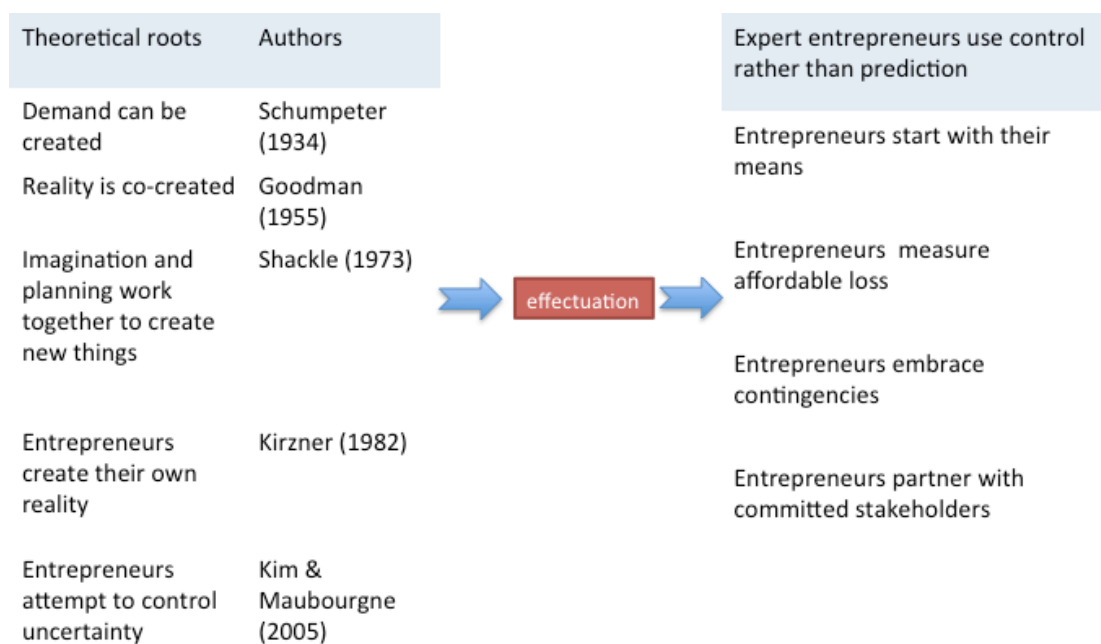


Figure 1.1. Theoretical roots of effectuation

The observation that entrepreneurs recombine resources in new ways, operate in a context characterized by uncertainty, bring unique elements to the table, and *create* their own reality is clearly at the heart of most social enterprises. Caught between the state and the private sector, working to win support from both, social entrepreneurs

have created a new reality that authors qualify as the *third sector* (Leadbeater, 2007).

Indeed, Ashoka, a leading social enterprise network, states:

Just as entrepreneurs change the face of business, social entrepreneurs act as the change agents for society, seizing opportunities others miss and improving systems, inventing new approaches, and creating solutions to change society for the better. While a business entrepreneur might create entirely new industries, a social entrepreneur comes up with new solutions to social problems and then implements them on a large scale. (www.ashoka.com, retrieved May 29, 2012)

These qualities: uncertainty, uniqueness, and the creation of a new reality are at the heart of the effectuation logic (Sarasvathy, 2008). The first principle of effectuation is concerned with the entrepreneur's *means*. Effectuation postulates that there are three categories of means available to all human beings: *Who I am*, *what I know*, and, *whom I know*. *Who I am* consists in the stable traits, abilities and attributes of entrepreneurs. *What I know* includes education, experience, and expertise. *Whom I know* refers to an individual's social networks. An entrepreneur's pool of resources (i.e., *what I have*) is the sum of the above three categories of means. Effectual entrepreneurs begin by imagining several possible courses of action, the consequences of which are, for the most part, uncertain. Therefore, these courses of action are evaluated in terms of their costs (affordable loss) rather than their benefits (expected returns) and entrepreneurs prioritize them according to what they are willing to lose (Read et al., 2011).

At the same time, these courses of action (what you chose to do starting with your means) are co-determined by stakeholders who are willing to commit resources. This is the second principle of effectuation, focused on the necessary role of *committed stakeholders* in new venture creation. In general, stakeholders not only provide resources, they also set immediate agendas and generate new sub-goals for a venture. Since stakeholders have to make commitments in the face of uncertain consequences, they in turn have to act based on what they can afford to lose. The focus of a decision-making process is on what can be done, given *who* the entrepreneur is, *what* s/he knows, and *whom* s/he knows (Read et al., 2011).

These considerations lead to the third principle of effectuation, that of *affordable loss*. Information about the potential downside to launching a venture is more concrete and easier for entrepreneurs to come to grips with than the upside of a venture, which calls on estimates of future revenues, costs, and possible risks that influence the cost of capital (Wiltbank, Dew, Sarasvathy, & Read, 2006). To calculate affordable loss, all the information entrepreneurs need to know is endogenous: Current financial condition and a psychological estimate of their commitment in terms of a worst-case scenario. Instead of looking outward for information in order to decide how much money to commit to a new venture, entrepreneurs look inwards and assess their available means as well as estimate which and how much of this set of means they are willing to lose. An estimate of affordable loss does not depend on ventures but varies from one entrepreneur to another and even across their life stages and circumstances. Since this information is about an entrepreneur's own life, current commitments, and aspirations, it involves trade-offs between subjective risks and values over which the entrepreneur can assert some control (Read et al., 2011).

Finally, effectuation logic suggests that entrepreneurs can derive benefits from acknowledging and appropriating accidental events, meetings, and information emanating from their environment – in sum, *contingencies*. Traditional entrepreneurship models suggest entrepreneurs should envision where they want to go, set goals, and plan fairly extensively before venturing into a new business. And yet, entrepreneurs will know some of the materials from which the venture will be constructed only after the venture gets started. Expert entrepreneurs learn not only to work with surprise factors but also how to take advantage of them – the unexpected is not a cost to a new venture; instead, it is viewed as a resource that can be turned into something valuable (Sarasvathy, 2001).

One of the advantages of effectuation logic is that success or failure does not depend on how accurate the original vision turns out to be or how well entrepreneurs execute their business plans. Transformation is dynamic and interactive (Dew, Sarasvathy, Read, & Wiltbank, 2010). Figure 1.2 shows the basic process of transformation. Entrepreneurs begin with an inventory of their means, deciding what they can do with what they have, and encouraging others to join them in a process of co-creation. The chain of commitments launched at the start of the venture has two impacts: (1) It increases the resources available to the venture by increasing stakeholder ownership while at the same time constraining a venture; and (2) it sets the goals of a venture and helps it converge toward something specific, which might or might not be what the entrepreneur had in mind at the beginning. As this network grows with time to include an increasing amount of input from the external world, it becomes gradually less effectual – crystallizing into a distinct new market (Read et al.,

2011). It is this interaction between different stakeholders (internal to the network), and the external world that creates new markets.

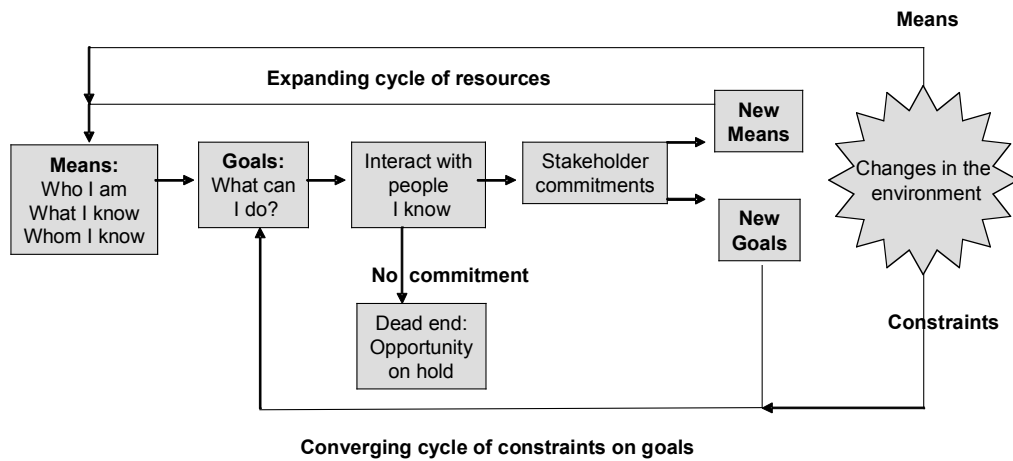


Figure 1.2. Converging cycle of constraints on goals (Read et al., 2011)

Research, observation and theory confirm (Kim & Maubourgne, 2005; Kirzner, 1973; Schumpeter, 1934; Stevenson & Jarillo, 1990) that entrepreneurs strive to create, shape, and transform their environment rather than attempt to predict it. This process would seem to work within the context of social entrepreneurship. There are no pre-existing data, market analysis, or models, which social entrepreneurs can follow. On the contrary, a novel solution or product is created from scratch in an attempt to transform, create, and shape an environment into what social entrepreneurs would like it to be. Making money in the process does not distract from the original goal. Indeed, it can be argued that any distinction between for-profit and non-profit is artificial and unnecessary as the goals are not mutually exclusive.

There is a distinctive fit between the principles of effectuation and the sphere of social entrepreneurs. As noted earlier, entrepreneurs start with their means. A social entrepreneur typically begins with who I am, what I know, whom I know. Victoria

Hale, the founder of OneWorldHealth, is a case in point (Read et al., 2011). Hale holds a PhD in pharmacology and worked for the U.S. Food and Drug Administration as well as the biotechnology group Genentech. Dismayed by the number of patients in developing countries who could not afford medication for illnesses that were curable, Hale decided to start a venture that offered these drugs at affordable prices, with a focus on neglected infectious diseases that struck children. Her means (who, what, whom) enabled her to look for drugs whose patents had expired and that she could produce cheaply. Committed stakeholders helped her establish production facilities. Hale built partnerships with commercial organizations, non-profit firms and local governments to produce the drugs. Her partners were individuals and organizations she knew from her previous role. Hale also assessed her affordable loss. In fact, this principle resonates strongly with social entrepreneurs who often choose to start a business by assessing how much (time, money, reputation) they are willing to put into a venture that solves a social problem but oftentimes does not carry the same advantages as jobs they may have held previously. However, social enterprises are sometimes funded upfront by grants and donations, equating with the *windfall* of commercial ventures. Finally, social entrepreneurs do not consider contingencies as something that will derail their venture but rather as additional material to work with. Within the context of their environments, social entrepreneurs need to constantly weave contingencies into their ventures.

aidha, a social enterprise based in Singapore, is examined in depth in this thesis to understand social enterprises and their decision-making processes further. The rationale behind this choice is that aidha represents a *typical* social enterprise (Yin, 1998). The time spent with the enterprise (8 months) allowed for the collection of data

along longitudinal points (Yin, 2003). This exploration was carried out both at an individual level (the founder) and organizational level (embedded case study).

Conclusion

If entrepreneurship is the process by which individuals create and/or pursue opportunities without regard for the resources they currently control (Hart et al., 1996; Stevenson & Jarillo, 1990), thereby creating new organizations (Gartner, 1988), and providing value for the community at large (Peredo & Mclean, 2006), then it can be argued that social entrepreneurship is a form of new venture. Thus, these enterprises should exhibit effectual principles. Their founders would be expected to start with their means, build partnerships with committed stakeholders, consider affordable losses (although arguably less so when the funding is a grant, and loss-making is considered acceptable in the start-up phase), and welcome contingencies as part of new venture creation.

Findings of the present thesis have a number of important implications. On the practical side, this thesis demonstrates that social enterprises function along the same decision-making principles as other forms of commercial new ventures, helping practitioners build successful enterprises by adding to their toolbox. Thinking along effectual lines helps entrepreneurs do consciously what they might otherwise have done subconsciously. In addition, providing a framework within which to assess potential indicators of success helps investors in social enterprises make informed choices. On the theoretical side, this thesis furthers both entrepreneurial and social enterprise research by looking at the applicability of effectuation principles to social enterprises.

This thesis involves a further six chapters. Chapter 2 presents an in-depth review of the literature and focuses on two streams of research: Entrepreneurship and social entrepreneurship. Chapter 3 discusses the theoretical framework underpinning this thesis, the backbone of which is effectuation. Chapter 4 describes the present research method while Chapter 5 reports on the aidha case study. Chapter 6 provides a detailed examination of outcomes emanating from this research, and concludes the thesis by integrating the research work.

Chapter 2

Literature Review

This chapter overviews literature pertinent to developing an understanding of the theoretical context of the research problem. Insofar as the aim of the current research is to determine whether principles of effectuation are applicable to the decision-making processes of social entrepreneurs, this chapter focuses on two streams of research relevant to this topic: Entrepreneurship and social entrepreneurship.

The first stream of research reviewed in this chapter is that of entrepreneurship. Since this thesis focuses on effectuation principles of entrepreneurship, only those theories of entrepreneurship that impact effectuation – both with regard to its foundation and its evolution – were selected for their relevance. As a result, the literature review focuses primarily on the contributions and shortcomings of resource-based theory (Hart et al., 1996; Nanda, 1992; Venkataraman et al., 1990), trait theory (Begley et al., 1987; Bull & Willard, 1993; Low & McMillan, 1988) and situationism (Chell, 1985; Giddens, 1984). The review of this literature provides insights into how effectuation might best begin to bridge the gaps between existing theories of entrepreneurship, and thus of new venture creation and the social enterprise as a form of new venture.

The second stream of literature reviewed here is that of social entrepreneurship (e.g., Chell, 1985; Dees, 2008; Martin & Osberg, 2007). As an emerging field in academia, the literature is still in its infancy and tends to focus heavily on the funding and management of social enterprises, contrasting and comparing these with the practices deployed by non-governmental organizations, charities and other forms of nonprofits (Austin et al., 2006). This literature is reviewed for its potential overlap with principles of effectuation and as a means of understanding where the gaps are and what this current thesis might contribute to the understanding of social enterprises.

It is accepted that in grounded theory methodology, a full literature review does not precede the research – on the contrary, it happens in parallel with the research (Glaser & Strauss, 1967). Effectuation was chosen as the theoretical driver prior to the selection of aidha as a case study. The entrepreneurship literature was reviewed with a view to avoid repeating what may have already been done and learn from other researchers in the field, help formulate research questions, and understand the different schools of thought that invariably influence a field of inquiry. In essence, the entrepreneurship literature is reviewed in order to cast light on what we know already about entrepreneurship and highlight what we do not know that could be relevant to organizational considerations. Having said that, research on social enterprises happened to some extent in parallel to the study of aidha as research findings prompted further questions and enquiry.

It is important to understand the conceptual backbone of entrepreneurship and its root before looking into social entrepreneurship and determining whether social entrepreneurs are but a type of entrepreneur or on the contrary a completely different beast. This chapter therefore begins with a discussion of the entrepreneurship literature before moving on to an exploration of social entrepreneurship.

Entrepreneurship as a Field of Study

Literature appears to support the argument that there is no generic definition of the entrepreneur, or if there is we do not have the psychological instruments to discover it at this time. Most of the attempts to distinguish between entrepreneurs and small business owners or managers have discovered no significant differentiating features (Brockhaus & Horwitz, 1986, p. 42).

The etymological root of the word *entrepreneur* comes from the French verb *entreprendre*, originally translated into English as *to undertake*. The French economist credited with the term is Jean-Baptiste Say, who at the turn of the 19th century wrote, *the entrepreneur shifts economic resources out of an area of lower and into an area of higher productivity and greater yield* (translated in Dees, 2001). In short, entrepreneurs create value through the efficient deployment of resources.

It was Adam Smith (1776) who, over 200 years ago, first theorized the classical approach to markets. He suggested that looking at past patterns in the *free*

market might help economic agents understand the world better and therefore lead to better decisions. The theory holds that markets are predictable and that sooner or later every market reaches a point of perfect equilibrium where supply and demand intersect. This theory is widely adopted today, supported by classical economists and taught by business schools. A significant number of strategy and management tools, including real options, expected value creation, and sales forecast are derived from Smith's approach to markets. It is important to recognize classical economic theory within the context of the current thesis as it informs a significant proportion of economic theory today (Burrell & Morgan, 1979; Giddens, 1984; Venkataraman et al., 1990). It also stands in stark contrast to effectuation, which postulates that markets cannot be predicted and that entrepreneurs work in contexts that can be defined only as unpredictable and uncertain.

Over time, the word *undertaker* became uniquely attached to a single activity and the meaning associated with economic activity fell into disuse. Instead, academics reverted to the French word and began using the term *Entrepreneur* to define an individual who *undertook* some form of commercial venture. However, what an entrepreneur did, or who an entrepreneur was, divided the field, the lack of cross-disciplinary interaction further obscuring the picture (Gartner & Shane, 1995; Wortman, 1987). Researchers complained that the field lacked a distinct professional identity, one defined by a unified body of knowledge based on generally accepted social science theories (Bull & Willard, 1993), as noted in Brockhaus and Horwitz's (1986) quote above. Part of the problem, and one which was not uncommon within the research community at the time (for example, the concept of *leadership* experienced similar issues), was a result of the diversity of the approaches applied to entrepreneurship and

entrepreneurs. Psychologists, sociologists, and economists all attempted to explain the creation of new enterprises and markets, each with their specific bias – whether it be that entrepreneurs were born, made, or a product of their time or of socialization – moving from trait theory (Begley et al., 1987; Bouchikhi, 1993; Naffziger, 1995; Shaver & Scott, 1991) to the role of the entrepreneur and his or her behaviors (Gartner, 1988), to entrepreneurial competencies (Bird, 1988), and to the decision-making process (Krueger & Carsrud, 1993).

The first body of literature on entrepreneurship was primarily concerned with understanding whether one could determine upfront which ventures might be successful based on unique traits that could be singled out in the enterprising individual. Research focused on trait theory and behavioral theory (Gartner, 1988; Naffziger, 1995; Shaver & Scott, 1991). This approach was very much in line with leadership research at the time, which strove to understand which character traits differentiated leaders from followers (Bass & Stogdill, 1990). However, research was inconclusive, with no consistent associations between character trait and success as a leader emerging. The same held with regard to entrepreneurship and entrepreneurs: 60 years after the first consistent work in the area, research failed to single out unique entrepreneurial traits (Read et al., 2011).

By the 1980s, focus had begun to shift, and entrepreneurial activity was viewed as a function of an individual's interaction with the environment. These theories, known as *situationism*, held that the environment affected personality and that opportunity selection was a function of interaction between individuals and their environment/situation (Chell, 1985; Giddens, 1984). Debate shifted from specific personality traits held by entrepreneurs to their interaction with and influence by

external factors. This theory holds that enterprising individuals assess a situation and make decisions around possible futures, ring-fenced by past experiences and context. Situationism is an outgrowth of cognitive constructionism whereby individuals label future options based on past experiences and learning, informing their knowledge pool (Martin & Sugarman, 1996).

When academia failed to single out traits unique to entrepreneurs, or convincingly make the case for the impact of situations on individuals, research turned to the *process* of entrepreneurship – going from *who* an entrepreneur was to what the entrepreneur *did* (Nanda, 1992; Stevenson & Jarillo, 1990; Venkataraman et al., 1990). This development in the thinking around entrepreneurship was very much in line with the times. For example, leadership theory shifted from an exploration of leadership qualities (Lewin, 1945) to thinking around leaders (as individuals) and leadership (as a process).

Kirzner and colleagues from the Austrian school of economics were among the first to explore this line of research (Kirzner, 1973, 1982). The entrepreneurial activity is described as a process, more often than not involving four steps (Stevenson & Gumpert, 1985): identification and evaluation of opportunity; development of a business plan; assessment of required resources to achieve objectives set out in a plan; and managing the business to succeed (Drucker, 1993). At that time, Stevenson and Jarillo (1990) defined entrepreneurship as *the process by which individuals pursue opportunities without regard to resources they currently control* (p. 23). As such, entrepreneurs mobilize resources held by other agents to achieve their goal. But this approach is grounded in a belief that any entrepreneurial venture that is unconstrained by resource selection can be successful. Hart et al. (1996) questioned this logic in their

work on individual or venture-specific resources, suggesting that some resources could not be acquired freely (resources were never completely unconstrained) on the market but instead were specific to the individual and were integral to his or her success, thereby generating specific trust in the market (Hart et al., 1996). In turn, Kwiatkowski (2004) suggested that entrepreneurs held other types of resources – including emotional intelligence and tacit knowledge – which they unconsciously brought to the table; assets which determined the competitive advantage (or not) of the new venture.

This discussion on resource acquisition and allocation is critical to thinking around the evolution of entrepreneurship. However, the resource-based views of entrepreneurship (Hart et al., 1996; Stevenson & Jarillo, 1990) addressed but one of the elements that define entrepreneurial activity. Obviously, determining specific resource needs, finding potential partners, obtaining buy-in, and structuring the venture have a clear impact on new venture success (Nanda, 1992; Venkataraman et al., 1990) but neither in and of themselves do these suffice to explain an entrepreneur's approach to launching a new business. Trait theory (Begley et al., 1987; Bull & Willard, 1993; Low & McMillan, 1988) did not take into consideration the role of the environment, of resources, and of the entrepreneurial process. Situationists (Chell, 1985; Giddens, 1984) regarded individuals as either *victims* or *beneficiaries* of their environment, failing to convince those who saw entrepreneurs succeed against all odds. Resource-based views of entrepreneurship are useful in understanding what it is entrepreneurs did with what was available to them and what they found on the market, the framework of which failed to take into account other elements such as the creation of demand with those resources (Hart et al., 1996; Stevenson & Jarillo, 1990).

It was Joseph Schumpeter (1934) who first suggested that demand could be created. He theorized that innovations were in fact *new combinations* – things that existed and were combined in new ways – initiating *something* which he called *transformations*. These transformations translated into products and services, new markets, new distribution methods, and so on. Consequently, Schumpeter (1934) believed that entrepreneurship was the process of *carrying out new combinations* and that entrepreneurs were innovators: *entrepreneurs create or seize opportunities, and in doing so innovate by recombination*. In his words:

The function of entrepreneurs is to reform or revolutionize the pattern of production (...) by exploiting an invention or, more generally, an untried technological possibility for producing a new commodity or producing an old one in a new way, by opening up a new source of supply of materials or a new outlet for products, by reorganizing an industry and so on. (p. 65)

Schumpeter also believed that entrepreneurs were *wild spirits* that changed the economy – similar to the *change agent* role often associated with social entrepreneurs today and their desire to change the world. Later in life, Schumpeter revisited his entrepreneurial theories, placing greater importance on the organization and *mechanization* of society, but it is his early conceptualization of creative destruction that is useful to the current thesis. Indeed, entrepreneurs – and one might argue, to an even greater extent, social entrepreneurs – can be said to refuse the existing order, be it markets, society, the environment, and create something new by combining existing products and solutions in different ways. To this point, Elkington and Hartigan (2009)

called social entrepreneurs *unreasonable people* based on the observation that they are perceived as achieving the unachievable: creating markets where others have deemed there are none. This ability to create new markets called for yet another element of entrepreneurial theory: imagination (Chell, 2007; Shackle, 1979).

Shackle (1973) in turn wondered what other competencies an entrepreneur might require beyond opportunity spotting, suggesting that imagination had to go hand-in-hand with planning if the result of the creative process was to lead to entrepreneurial action (the universal people–process–planning triad much in vogue in management literature). He believed that all human beings were entrepreneurs since everyone needed to make choices and that these choices could only be informed by imagination because individuals could not witness the outcomes of their choices prior to them being made. Kirzner (1982) concurred, arguing that entrepreneurs were characterized by alertness, *creativity*, boldness, and constant change. As such, imagination is considered a key to innovation – entrepreneurs are seen as creating their own reality, a social construct built around possible futures.

Goodman (1983), following in Schumpeter's footsteps, looked at transformation through co-creation. His argument was somewhat similar to that of the *black swan* (Taleb, 2007), in essence stating that it was not because something always appeared to be the same that something different did not exist. Translated into economic terms, Goodman theorized that when two stakeholders made a commitment, they transformed what existed into something new. Christensen (2005), and Kim and Maubourgne (2005) built on this stream of research by looking at actors operating in uncertain environments. More specifically, these writers focused on innovation and new market creation. While Christensen focused primarily on those actors who tried to

innovate in conditions where an uncertain environment had imposed on them, Kim and Maubourgne appear to have adopted an opposing view – how could economic actors turn an existing environment to their advantage, thereby creating uncertainty for others.

An integrated theory was beginning to appear, with four elements at its core: entrepreneurs recombined things in new ways; they operated in a context characterized by uncertainty; each brought something unique to the table; and they *created* their own reality. These streams of research converged to comprise the dominant theory on entrepreneurship today, the classical *causal* theory, known colloquially as *explore and exploit* or *search and select* (the idea of which can be found across a range of authors in the classical and neo-classical economic schools). This theory extends the cornerstones of the classical economic model of supply and demand and provides a causal view of new venture creation, which holds that individuals (and companies) enter a market by searching and selecting the best opportunity – whether through innovation, a better offering, or by responding to explicit or implicit consumer demands (unmet needs). The potential of the market can be determined through existing data and with sufficient precision and depth to be useful. Most classical micro-economic theory suggests that all possible choices are known upfront and that entrepreneurs choose from a given set of options, the choice being determined by their skills and competencies, as well as preferences. Most thinkers in the entrepreneurship field stay close to the idea that entrepreneurs search for and select the right opportunity (Stevenson & Sahlman, 1987).

It was Drucker (1993) who first explicitly focused on opportunity. He suggested that while entrepreneurs did not necessarily effectuate change, they exploited the opportunities provided by change: *The entrepreneur always searches for change, responds to it, and exploits it as an opportunity* (Drucker, 1985, p. 28). It is this idea of

opportunity-seeking that lies at the heart of the search and select theory of entrepreneurship – the modern-day version of Say's (1803) ideas around value creation (Stevenson & Jarillo, 1990). An interesting distinction Drucker (1985) makes is between repeat business and new business. He argues that launching a new business is not necessarily entrepreneurship in and of itself. For example, a restaurateur opening a second restaurant serving similar food has not launched a new venture (Read et al., 2011). In addition, Drucker (1985) argues that entrepreneurship does not necessarily correlate with profit, arguing that the creation of universities was a major innovation that was not profit-driven.

Classical causal theory (Burrell & Morgan, 1979; Giddens, 1984; Venkataraman et al., 1990) is useful for understanding one subset of entrepreneurial ventures – those that are launched within predictable environments. In predictable environments, the past can be employed to look for recurrences or common patterns. In this configuration, it is assumed that new businesses are sufficiently close to existing businesses where relevant historical data exists (Read et al., 2011). It is also assumed that environments are sufficiently stable for past patterns to be relevant to future markets. An assumption is that one has access to useful information and knowledge – that is, all market ideas exist in proto-form before they are found and exploited. If environments are knowable, that is, if entrepreneurs can rely on some level of information, then they can use past recurrences, probabilities, and try to hedge their bets as they launch new ventures (Chow, 2002).

One of the weaknesses of the causal literature on entrepreneurship is that it does not say how the search is actually conducted, only that it will produce a set of given possibilities from which entrepreneurs will choose (Sarasvathy, 2008). In

addition, goals are set up-front, thereby excluding change and contingencies from the equation. In essence, the causal literature does not deal with uncertainty, with the unknowable, which is the domain of effectuation (Read et al., 2011).

In 1921, Knight characterized these different risk or uncertainty levels. To illustrate the concept, he used three urns that he labeled known (prediction), unknown (risk) and unknowable (uncertainty). When drawing from the first urn, the decision-maker was shown the content and then asked to guess what the next outcome might be. For the second urn, the decision-maker could not see the content but was allowed to take a couple of pre-draws and form an opinion. As for the third urn, contents were made deliberately random; the decision-maker could neither preview nor sample the content but had to make predictions about what might appear next. Clearly, it proved impossible. Knight used the experiment of the three urns to demonstrate three different environments, clearly showing that in the latter case, when neither history nor prior knowledge could guide you, prediction was impossible and of little use (Ellsberg, 1961; Knight, 1921/1933).

A question was then, what does one do? Could economic agents change environments in which to operate, and if not, how could they deal with *random content*? Could they create demand for something that wasn't there? It was these ideas that Kim and Maubourgne (2005) developed when they suggested that it was best to compete in blue oceans – that is, markets that are yet to be created, where one can determine the rules of the game – in essence putting things *in* the urn. This thinking around entrepreneurs shaping their environment was aligned with arguments made by earlier researchers (Kirzner, 1973; Schumpeter, 1934; Stevenson & Jarillo, 1990) who suggested that entrepreneurs created something using means specific to themselves

(Kwiatkowski, 2004), with committed stakeholders, thereby creating their own environments rather than being subjected to environments that were uncertain, regardless of what resources they possessed.

However, an assumption that information available to entrepreneurs at the launch of their venture is both incomplete and overwhelming means accepting that what information might or might not be relevant is not clear upfront (Knight, 1921/1933; Stevenson & Jarillo, 1990). As such, entrepreneurs do more than recombine something pre-existing using information or knowledge. Entrepreneurs create or transform, turning mere possibilities into new opportunities (Kim & Maubourgne, 2005; Christensen, 2000).

The effectual logic of new venture creation is built upon many of these ideas. The term effectuation hinges on the notion that entrepreneurs *effectuate* a transformation (Sarasvathy, 1997, 2008) and attempts to explain how entrepreneurs make decisions in the face of non-existent markets (or not existing today), uncertainty, risk, and unpredictability. This theory postulates that entrepreneurs create new opportunities outside of a *causal* framework.

This logic appears applicable to social entrepreneurship. For example, the four steps described by Kirzner (1982), Stevenson and Gumper (1985), and their peers, can be found in the processes deployed by social entrepreneurs when launching their venture: identifying an opportunity, developing a business plan, obtaining resources, and managing for success. Likewise, Schumpeter's (1934) argument that innovation is a form of transformation is particularly true of social entrepreneurs who turn existing products and services into innovative solutions for some of the world's most pressing

problems. This transformation requires imagination (Shackle, 1973). It appears to be equally defensible that social entrepreneurs create and transform (Christensen, 2000). Indeed, Elkington and Hartigan (2009) stated that:

Social and environmental entrepreneurs share the same characteristics as all entrepreneurs – namely, they are innovative, resourceful, practical, and opportunistic. They delight in coming up with new products or services, to existing or previously undiscovered markets. (p. 3)

Building on this thinking, the following section looks at the social entrepreneurship literature with the aim of identifying whether social entrepreneurs are entrepreneurs with a different mission or a breed of their own, as well as what the implications for research might be.

Social Entrepreneurs and Social Enterprises

Social entrepreneurs are individuals with innovative solutions to society's most pressing social problems. They are ambitious and persistent, tackling major social issues and offering new ideas for wide-scale change. Rather than leaving societal needs to the government or business sectors, social entrepreneurs find what is not working and solve the problem by changing the system, spreading the solution, and persuading entire societies to take new leaps. (www.ashoka.com)

The words *social entrepreneur* are particularly powerful because they combine the idea of working to resolve a social issue with the business-minded approach of for-profit entrepreneurs. Social enterprises are often described as double-bottom-line

organizations that practice both altruism and commercial discipline. But while this description might appear straightforward, the term is associated with a variety of forms: It is used indiscriminately for not-for-profit organizations that start a for-profit business to fund their main business, for any organization that is a not-for-profit, or for firms that include a form of social responsibility into their business (Dees, 2001; Elkington & Hartigan, 2009). Indeed, the term is used by entrepreneurs, governments, activists, and organizations, to define any business that innovates or trades for a *social* purpose (Ridley-Duff & Bull, 2011).

The terms *social enterprise* and *social entrepreneurship* have evolved historically across different traditions. It would appear that the term *social entrepreneur* was first used to describe the work of Robert Owen, credited as the philanthropist who pioneered cooperative communities in the 1820s in the U.K. (see Mulgan, 2007), while in the U.S., social enterprises were considered a third sector that stood between the state and commercial enterprises, with a mission to reform society (see Ridley-Duff & Bull, 2011). Bill Drayton is credited by academics for having popularized *social entrepreneurship* at the Association for Research on Nonprofit Organizations and Voluntary Action (ARNOVA) in the U.S. in 2006. Throughout the 1980s and 1990s the term became connected with international development and fair trade, before being associated primarily with individuals founding social enterprises. In 1982, Ellerman wrote an article on the *socialization* of entrepreneurs in Spain, and in 1993, Harvard used the term for its social enterprise initiative.

U.S. and European views on social entrepreneurship differ. In the European perspective, academics such as Defourny (2001) and Pearce (2003) view social enterprises as a third system that sits between voluntary and charity organizations, and

the private sector. The U.S. perspective suggests that social enterprises hold their own space, in the area between the third and public sectors, and between the public and private sector (Leadbeater, 1997; Westall, 2001). In this view, the institutional forms created by social entrepreneurs are social enterprises in their own right. The logic follows the philanthropic model of commerce as opposed to the more democratic orientation of cooperatives and nonprofits highlighted in the European approach (Defourny, 2001). U.S.-style social entrepreneurship has strong links with philanthropy, in which money raised from wealthy individuals and government grants supports *non-profit* organizations that act in the public interest (Dees, 1998). An emphasis is on solutions brought to the poor by a visionary individual, whereas European-style *social enterprise* draws more on voluntary action, self-help, and cooperative principles derived from secular and Christian socialist traditions. A focus on innovation is strongest in the U.S. literature where value propositions of social entrepreneurs are taken as drivers of social change (Alter, 2006; Martin & Osberg, 2007). As such Martin & Osberg (2007) state that:

The social entrepreneur's value proposition targets an underserved, neglected, or highly disadvantaged population that lacks the financial means or political clout to achieve the transformative benefits on its own. (p. 35)

In short, social entrepreneurs are expected to solve social problems that government and social sector institutions have failed to address efficiently and sustainably. The definition of who a social entrepreneur is, is therefore often tautological, with definitions including *entrepreneurs with a social mission*, while

social entrepreneurship is described as *an entrepreneurial activity with an embedded social purpose* (Austin et al., 2006; Dees, 2001; Martin & Osberg, 2007). Dees (2001) adds that social entrepreneurship is defined by its mission of *creating and sustaining social value* (adding sustainability to the concept). But unless the word *social* has been clearly defined in and of itself, as well as in how it pertains to *entrepreneurial* activity, definitions will remain vague and only partially useful.

The meaning of the word *social* has been used to describe very different things (Phills, Deiglmeier, & Miller, 2008), from social motivations to social impact. Santos (2009) was the first to argue that one cannot define social enterprises by referring to some other *social*, be it social value, social wealth, social mission, social change, or social impact, because such definitions increase the tautological aspect of the definition and hinder theory development. He further noted that such definitions require some form of subjective assessment of who is in need of social help and suggest that profit cannot be an outcome of fulfilling that need. In addition, these definitions assume that one can measure objectively what makes value creation social or not (Santos, 2009). Seanor and Meaton (2007) argued that social enterprises could benefit from ambiguity in terminology by managing their uncertain identity and tapping into several streams of support and funding. This ambiguity allows social entrepreneurs to develop hybrid organizations that serve multiple interests – the very vagueness of the terms allow for diversity of expression of phenomena (Ridley-Duff & Bull, 2011). Light (2006) suggested that the lack of a simple definition reflects the political battles over control of a new business. In this current thesis, aligned with the definition most widely used in the field, *social* describes a class of needs or problems that benefit society as opposed to a single individual.

In reality, definitions of what or who *is* a social entrepreneur suffers from the same caveats as definitions of what (or who, depending on the school) is an entrepreneur. Indeed, attempts (Austin et al., 2006; Brockhaus & Horwitz, 1986; Chell, 2007) to define what a social entrepreneur is have reignited interest in trait theories, often under the guise of *competencies*. London and Morfopoulos (2010) portrayed social entrepreneurs as visionary leaders who are *driven by an overarching desire to improve society... they are movers and shakers – people who are not satisfied with the status quo and are always trying to make things better. They care and they are action-oriented* (p. 30). Pearce (2003) in turn argued that people in social enterprises are motivated by ethical values of cooperation, doing *good* work, and trustworthy. Chell (2007) pointed out that in reality, *economic entrepreneurs* differ from social entrepreneurs only in respect to the missions or goals they pursue.

Definitions grow increasingly confusing as the literature attempts to distinguish between individuals and enterprises, with research on the former focusing on traits (Elkington & Hartigan, 2009) while research on the latter (Emerson, 2003) focuses on commercial activity, including earned income or return on investment. It is interesting to recall that the 2006 Nobel committee split the prize between social entrepreneur Dr. Mohamed Yunus, and the social enterprise, Grameen Bank. Both terms have their roots in the non-profit sector, with the result that a significant proportion of research in the field is also limited to non-profit indicators and concepts.

Most academics (Austin et al., 2006; Dees, 2001; Chell, 2007) agree that social entrepreneurs attempt to solve social problems through innovative means. This is where the *entrepreneur* in *social entrepreneur* comes in. The problems around the terminology stem essentially from the following question: How can an organization

whose primary purpose is the pursuit of a social or charitable mission pursue entrepreneurial goals? (Chell, 2007; Rangan, 2008). This argument assumes that the primary purpose of an entrepreneurial venture is the creation of wealth. This is not necessarily the case – for many entrepreneurs, the creation of wealth is merely a sub-product, an indicator of success (Chell, 2007). Both entrepreneurship and social entrepreneurship streams of research recognize that entrepreneurs create something of value (Chell, 2007). To this point, Dees (2001) argued that *social entrepreneurs are one species in the genus entrepreneur. They are entrepreneurs with a social mission* (Dees, 2001, p. 2). Peredo and McLean (2006) concurred, suggesting that social entrepreneurs pursue the creation of social value by recognizing and exploiting opportunities, being innovative, exhibiting a high tolerance for risk and/or a high drive to achieve the goal. These authors thus offer a definition of social entrepreneurs that is very close to that of commercial entrepreneurs. The only distinction can be found in the access to resources – Peredo and McLean (2006) suggested that social entrepreneurs pursue goals almost independently of available resources. However, literature (Schumpeter, 1934; Stevenson & Jarillo, 1990) on entrepreneurship shows that this is characteristic of entrepreneurs in general, and not social entrepreneurs in particular.

A majority of definitions is derived from the integration of social and entrepreneurial. As such, the social enterprise is often seen as a hybrid combining elements of commercial ventures and social sector organizations (Battilana, Lee, Walker, & Dorsey, 2012). However, Santos (2009) argued that rather than being a hybrid, social enterprises are a model apart, organizations that play societal and economic roles distinct from that of other organizations. This thesis favors the first definition, defining social enterprises as hybrids that sit between the commercial world

and charity, and play a distinct economic role. The following section discusses specificities and commonalities between commercial and social entrepreneurs keeping in mind the definition above.

Positive Externalities: The Sphere of Social Enterprises

The definition of social entrepreneurship as a hybrid begs the question of where social enterprises stand in comparison with commercial entrepreneurship, charity work, and government provision (Battilana et al., 2012; Emerson, 2003). While the pursuit of economic efficiency will lead to value appropriation for commercial firms, it might not lead to equitable economic outcomes for society as a whole since differences in capabilities upfront can lead to unequal distribution of resources and welfare. This is where governments come in, assuming a redistribution role through taxes and social welfare (Ridley-Duff & Bull, 2011).

But governments favor general solutions over customized action, which is where charitable organizations intervene. Santos (2009) argued that social enterprises pursue neglected positive externalities that have either been ignored by other economic actors because they do not provide for sufficient value appropriation, or by governments who have both multiple roles and scarce resources, and cannot therefore attend to all of these externalities (Friedman, 2007). Obviously, in most cases of underserved opportunities, commercial enterprises will step in: it is easier to obtain capital, pay high salaries, and draw in investors with a commercial enterprise.

Consequently, social enterprises play a unique role in areas with strong positive externalities where there is a much higher potential for value creation than for value

appropriation – that is, where the value to society is much greater than the value to shareholders and other owners (Chell, 2007). Positive externalities that are both localized and favor less powerful segments of society are those most likely to be addressed by social entrepreneurs (Santos, 2009). It is not that social entrepreneurship focuses primarily on disadvantaged – defined as poor, long-term unemployed, disabled, discriminated, socially excluded – segments of the population but rather that most neglected positive externalities center on disadvantaged populations (Seelos & Mair, 2005). Consistent with this view, a 2009 survey by the Social Enterprise Coalition showed that a majority of social entrepreneurs responded that they had a social, community, or environmental motivation for launching their organization.

It is necessary here to distinguish between social entrepreneurship and social activism, since both might be viewed as dealing with externalities. On the one hand, social activism is primarily concerned with cancelling negative externalities (such as pollution) through political activism (Monllor, 2007). Social activists try to exert pressure on governments and business through demonstrations, strikes, gaining public support through research on the impact of these negative externalities, and the like. Social entrepreneurs, on the other hand, strive to develop sustainable solutions to existing local problems and do not necessarily exert pressure on governments and institutions to reach their objectives. Rather, they work to generate social capital (Coleman, 1988). Laville and Nyssens (2001) argued that social enterprises generate greater amounts of social capital than public or private sector organizations, providing them not only with a competitive edge in the market, but also a public policy argument for supporting them.

It appears that what matters lies with the mission of the social enterprise, which can be summarized as the desire to create *social value*. Phills et al. (2008) provide the following definition of social value:

We define social value as the creation of benefits or reductions of costs for society — through efforts to address social needs and problems — in ways that go beyond the private gains and general benefits of market activity. (p. 39)

However, it can be argued that one cannot divide economic value creation in this way. After all, creating value through ventures that are not social ventures also benefits society as a whole by increasing society's welfare through the allocation of resources. As a result, Santos and his peers (Santos, 2009; Emerson, 2003; Elkington & Hartigan, 2009) argued for a model of *blended* value creation in which the social value generated by social enterprises is but one component of the value created for societies as a whole.

For social entrepreneurs, the social mission is fundamental, the *raison-d'être* of the venture. Satisfying a specific customer need or making money is only a by-product of a mission – means to a social end. Almost as essential to the mission is the sustainability of impact. Impact, not wealth creation, is a criterion for success. This focus on impact affects how social entrepreneurs might perceive and assess opportunities. While generating wealth is not the principle reason for launching a commercial new venture, entrepreneurs do use it as a measure of success – making money with the idea means that entrepreneurs have found ways of creating value. When the products or services

provided by entrepreneurs do not add value, that is, do not make a better use of resources that could be channeled elsewhere, businesses fail.

But this simple market mechanism analysis does not work as well when it comes to social entrepreneurs. Markets have trouble evaluating social value – how does one measure the value of *something* provided to customers who cannot afford to pay? As a result, it becomes difficult for markets to assess whether social entrepreneurs are generating a sufficient amount of value or whether resources would be best utilized elsewhere (Austin et al., 2006).

What might distinguish social enterprises from more traditional commercial enterprises is a focus on value creation as opposed to value appropriation. This focus on value creation is important because the choice of focus has an impact on the types of stakeholders a venture brings on board. Stakeholders who commit to a venture might have different preferences to those of founders: Some shareholders might prefer value appropriation as a way of compensating for their resource commitment. While individuals themselves might have multiple goals, organizations need clarity of purpose so that they can engage with their environment in an appropriate manner (Santos, 2009)

Because social enterprises benefit from a number of sources of funding, their survival, or even their growth, is not an indication of their efficiency (Dees, 2001). Markets from which social entrepreneurs raise resources include fees (a number of social enterprises charge fees for at least part of their services), donations, and grants, as well the intangible value of individuals working on a volunteer basis. Many of these sources or resources are not closely aligned with traditional forms of value assessment – determining the value of ventures really depends on funders, their motivations, and the

value that they attach to outcomes (Bouchikhi, 1993). In addition, it is sometimes hard to assess which part of an outcome is directly linked to an intervention (Thornton, 1999). For example, can one say that a lower crime-rate results from work aimed at improving a school system or improving the economy? How does one charge for or measure the impact of educating foreign domestic helpers? And how does one get all those who benefit from the impact to pay? (Which is the case in traditional value creation). For example, when looking at microfinance, how does one measure the impact on the children of those mothers who benefit from a loan, and even more problematic, how does the community pay for the benefit of children with better nutrition and schooling? (Let alone not being in a position to charge for this type of social impact/value creation). It is virtually impossible to capture total value – even when one argues that attracting philanthropic funds is an indication of value creation, at least to those who believe in the mission and provide funds (Gartner & Shane, 1995). Finally, those who engage with social enterprises at a voluntary level derive a personal value from the engagement that is only marginally linked to the social impact of the venture (Helm, 2004).

One way in which markets have attempted to measure value creation is through Social Return on Investment (SROI), based on work in the mid-1990s by Jed Emerson with the Roberts Enterprise Development Fund. SROI is derived from traditional economic tools of cost–benefit analysis and goes beyond output to think in terms of *outcomes* and *impact*. The SROI network proposed the following definition:

SROI is an approach to understanding and managing the impacts of a project, organization or policy. It is based on stakeholders and puts

financial value on the important impacts identified by stakeholders that do not have market values. SROI seeks to include the values of people that are often excluded from markets in the same terms as used in markets, that is money, in order to give people a voice in resource allocation decisions. SROI is a framework to structure thinking and understanding. It's a story not a number. The story should show how you understand the value created, manage it, and can prove it (the SROI network.com).

Socially Responsible Investing (SRI) is another example of measuring value, also known as triple-bottom-line, whereby investments take into consideration the financial, environmental, as well as social consequences of investments. According to the Social Investment Forum (2007), between 1995 and 2005, SRI rose more than 258%, from \$639 billion to \$2.29 trillion. There are three main types of socially responsible investments: community investing (investing into less privileged or underserved communities), investment screening (selecting companies that meet specific social or environmental criteria), and shareholder activism (where shareholders attempt to influence a company's conduct through corporate governance procedures).

Tools such as these are important because social enterprises require methods of financial accounting that allow them to tap into sources of funding from the public sector, the private sector, and social investment. Dees (1998) noted: *the markets do not do a good job of valuing social improvements, public goods and harms, and benefits for people who cannot afford to pay. These elements are often essential for social*

entrepreneurship (p. 20). Indeed, funding is one of the main concerns of social entrepreneurs if they are to be sustainable.

It was in part the shrinking supply of readily available funds for NGOs in the late 1990s that encouraged civil society organizations to turn to income-generating models. Alter (2006) summarized this perceived tension between the entrepreneurial approach to problem solving and resources when he stated:

First, the nature of the desired social change often benefits from an innovative, entrepreneurial, or enterprise-based solution. Second, the sustainability of the organization and its services requires diversification of its funding stream, often including the creation of earned income opportunities. (p. 205)

Since the early 1990s, academics and practitioners have come to understand the breadth and complexity of global problems such as poverty, the digital divide, or climate change. As a result, nonprofits, governments, and businesses have begun working together more closely, pursuing common solutions to widespread problems. As the barriers between these three groups (government, business, civil society) started to blur, the flow of ideas as well as the flow of capital from private to public and philanthropic increased.

It is important to distinguish between charitable organizations that are funded by donations and grants, and social enterprises, which, to be sustainable, need to generate their own revenue. But the latter do to some extent operate across a spectrum of enterprises from purely charitable to purely commercial (Dees & Anderson, 2006). On the purely charitable side, *customers* pay little or nothing, capital comes in the form

of donations and grants, the workforce is largely made up of volunteers, and suppliers make in-kind donations. At the purely commercial end of the spectrum, by contrast, most transactions are at market rates. Most social enterprises sit somewhere in the middle, where these hybrid organizations pursue new forms of blended value. As a result, they need to behave entrepreneurially. Indeed, resource acquisition and allocation is what typically differentiates to the greatest extent social entrepreneurs. Voluntary contributions, donations, and various grants provide these entrepreneurs access to a specific category of means not typically accessible to for-profit ventures. And while social enterprises can exist on philanthropy, this source of funding is increasingly discouraged in the long term. As a result, social enterprises exhibit mixed characteristics of both philanthropic and commercial enterprises (Dees, 1998).

Sources of funding for social enterprises include those reserved to entrepreneurial ventures as well as those traditionally open to charities. In a survey (Elkington & Hartigan, 2009) looking into preferred means of funding, social entrepreneurs included: friends and families (although this is one of the least preferred options); raising funds from the public; attracting help in kind which, although entrepreneurs do not necessarily view it as a preferred option, often ends up being what they get; appealing to angels and foundations (74%) because they are perceived as a dependable funding source; tapping into government; making sales and charging fees (57%); franchising (15%); creating partnerships and joint ventures (although many are concerned about the implications even though a number of corporations are partnering with NGOs); pursuing venture capital; and selling out or going public, preferably in a social stock exchange.

Corporate and private equity groups are increasingly interested in social entrepreneurs. For example, 29 of the world's largest private equity firms came together to create the Pan-European Private Equity Foundation to focus on the underprivileged. What became clear is that whatever the benefits and pitfalls, grants remain a major source of funding for both charitable and non-charitable social enterprises, as these are perceived as the most dependable (Pharoah, Scott, & Fischer, 2004).

Business Models for Social Enterprises

Everywhere in the world, both in developed and developing countries, underprivileged and marginalized segments of society struggle to gain access to education, housing, healthcare, and other basic needs. It is in that space, which business does not typically cater for, that governments and charitable organizations tend to operate. But with the blurring of lines between the three, social enterprises have increasingly entered that space, bringing efficiency and sustainability to solutions (Rangan, 2008). Today, businesses are leading the way on many social issues, and governments are moving away from the role of regulator and taxer, and becoming partners of social change (Seelos & Mair, 2005). Business, nonprofits, and governments work in partnership rather than as opponents. The result is a form of *blended value* where social and economic factors are combined to develop ethical or social capital (Ridley-Duff & Bull, 2011). In addition, social enterprises tend to transcend traditional boundaries of classical organizational theory whereby a firm's boundaries can be clearly delineated – instead, social enterprises work through models

of cooperation and collaboration and appear to compete to a lesser extent than other organizational forms (Stevenson & Gumpert, 1985).

Social enterprises tend to fall into three different types of structures or business models: leveraged nonprofit, hybrid nonprofit, and social businesses (Elkington & Hartigan, 2009). *Leveraged nonprofits* aim to meet needs that are largely ignored by current market mechanisms and businesses. They fill the gap where governments are not willing or able to provide a public good, and where the private sector cannot justify the risk relative to the reward.

Most philanthropists tend to favor *hybrid nonprofit* models because of the belief or expectation that a combination of nonprofit and revenue-generating for-profit strategies create winning organizations with high returns (Elkington & Hartigan, 2009). These organizations model novel forms of social value creation (Seelos & Mair, 2005). Typical characteristics include mobilizing funds from public, private and/or philanthropic organizations in the form of grants, loans, and even quasi-equity investments; and delivering goods and services to excluded or underserved segments of the population (as with the other models), but with the notion of potentially making a profit and the ability to recover at least part of the cost through the sale of goods and services.

Social business venture models evolved as an unintended by-product of relatively small receipt of philanthropic funds, forcing enterprises to think about making profits in addition to pursuing social missions. These enterprises are different from their peers in that they are set up as for-profit businesses from the start. Revenue is typically

used to grow a venture, in order to reach out to an increasing proportion of people (Ridley-Duff & Bull, 2011).

The Concept of Social Innovation

We are very likely in the early stages of the greatest period of creative destruction in our global economy. Social entrepreneurs (...) signal some of the ways in which we can steer the processes of change. Their power derives from the fact that they spot dysfunction in the current system and they try to work out how to transition the system equilibrium to a different – and more functional – state. (Elkington & Hartigan, 2009, p. 11)

Phills, Deiglmeier and Miller (2008) argued that the best name for the social entrepreneurship field is in reality ‘*social innovation*’ because the true purpose of the social enterprise is lasting social change. These authors define social innovation as: *A novel solution to a social problem that is more effective, efficient, sustainable, or just than existing solutions and for which the value created accrues primarily to society as a whole rather than private individuals.* (p. 36)

The argument here is that focusing on innovation, rather than on persons or organizations, provides a clear idea of what it is that leads to positive social change (Rangan, 2008). While social entrepreneurs are important because they see new patterns and possibilities for innovation and are willing to try new things, and social enterprises are important because they deliver the innovation, what matters is the innovation in and of itself (Christensen, Baumann, Ruggles, & Sadtler, 2006). A

further argument is that if one limits social innovation to social entrepreneurs or social enterprises, then one rules out social innovation that emerges in large, established nonprofits, businesses, and even government.

A social innovation can be a product, production process, or technology (much like innovation in general), but it can also be a principle, an idea, a piece of legislation, a social movement, an intervention, or some combination of these (Mulgan, 2007). Indeed, many of the best recognized social innovations, such as microfinance, are combinations of a number of these elements. Periods such as that of the Great Depression led to many social innovations which we consider mainstream today, including monthly stipends for senior citizens, guaranteed bank deposits, and agencies that encouraged job creation (Phills et al., 2008). In more recent times, social innovation is found in domains that were traditionally public sector but which were privatized in the 1980s, including schooling, healthcare, elderly care, or unemployment support.

While the concept of social innovation is interesting, and innovation is more easily defined than entrepreneurship, the notion of innovation is already part and parcel of the definition of entrepreneur, and was used as a defining element of entrepreneurship by the earliest authors and researchers (Hart & Milstein, 1999). This thesis therefore includes the idea of social innovation into that of the product of social entrepreneurship, in line with Schumpeter, Shackle, and peers.

Conclusion

It is argued that entrepreneurship and social entrepreneurship allow for the emergence of commonalities and patterns that reinforce the rationale for working with effectuation as means of understanding the decision-making processes of social entrepreneurs. This position is based on the observation that social entrepreneurs are innovative, recombine things in new ways, operate in a context characterized by uncertainty, bring something unique to the table, and *create* their own reality. In summary:

- Entrepreneurs effectuate change (Austin et al., 2006; Sarasvathy, 2008): Social entrepreneurs can make fundamental changes to the way societies deal with global problems, working on the causes rather than the symptoms of problems. While the solutions they implement are often local, the impact can be global, as is the case with microfinance spreading through India and Africa (Dees, 2001).
- Entrepreneurs explore and exploit opportunities (Monllor, 2007): Where most see problems, social entrepreneurs see opportunities. Often these opportunities take the form of problem solving – providing access to education, clean water, housing, medical care, and the like (Peredo & Mclean, 2006).
- Entrepreneurs are innovators (Larson, 2000; Mulgan, 2007): Innovating does not necessarily mean inventing something new from scratch – it may be applying an existing idea in a new way. There are a number of examples, from

using military technology to provide clean water, and turning banking on its head to provide microloans (Yunus, 2008). In other situations, social entrepreneurs break new ground and develop new ways of doing things as they attempt to tackle problems. For example, low cost cataract surgeries, or sanitation in rural areas are further examples of innovations deployed by social enterprises (Tidd, Bessant, & Pavitt, 2005).

- Entrepreneurs act without limitation from the resources available to them (Stevenson & Jarillo, 1990): Most entrepreneurs are skilled at answering the question *What can I do with zero dollars?* Social entrepreneurs need to think along those lines even more efficiently because of the difficulties social enterprises have accessing and attracting traditional funding (Rangan, 2008). Social entrepreneurs use different means of funding, from philanthropy to markets, and use collaborations and partnerships to, in effect, add to their means (Elkington & Hartigan, 2009).

These points are in line with the principles of effectuation and with currently accepted theories of social entrepreneurship. Indeed, Dees' (2001) definition aligns with these issues:

Social entrepreneurs play the role of change agents in the social sector, by adopting a mission to create and sustain social value (not just private value); recognizing and relentlessly pursuing new opportunities to serve that mission; engaging in a process of continuous innovation, adaptation, and learning; acting boldly without being limited by resources currently

in hand, and exhibiting heightened accountability to the constituencies served and for the outcomes created. (p. 4)

Dees based his definition on the notion that entrepreneurs pursue opportunities in an innovative manner while accessing resources that they might not yet possess, in order to create value. He suggested that the closer individuals fit the criteria set out above, the closer they are to becoming social entrepreneurs. Table 2.1 summarizes this overlap between entrepreneurship and social entrepreneurship as discussed thus far.

Table 2.1. Overlap between entrepreneurship and social entrepreneurship in the literature

Entrepreneurship	Social Entrepreneurship
Entrepreneurs are innovators that create their own reality (Schumpeter, 1973); Drucker, 1993; Shackle, 1979; Goodman, 1983)	Social entrepreneurs engage in a process of continuous innovation, adaptation, and learning (Phills et al., 2008; Dees, 2001)
Entrepreneurs are revolutionaries (Schumpeter, 1934)	Social entrepreneurs play the role of change agents (Emerson, 2003; Dees, 1998; Chell, 2007)
Entrepreneurs explore and exploit opportunities (Stevenson & Jarillo, 1990; Kirzner, 1973)	Social entrepreneurs recognize and relentlessly pursue new opportunities to serve that mission (Peredo & McLean, 2006)
Entrepreneurs act without feeling limited by the resources they currently hold (Stevenson & Gumpert, 1985; Hart et al., 1995; Kwiatkowski, 2004)	Social entrepreneurs act boldly without being limited by resources currently in hand (Peredo & Mclean, 2006; Dees, 2001)
Entrepreneurs work with committed stakeholders (Sarasvathy et al., 2011; Stevenson & Jarillo, 1990)	Because of their resource constraints, and because they often tackle huge problems looking for sustainable solutions, it is in their interest to empower beneficiaries and potential stakeholders to become part of the solution (Santos, 2009)
Entrepreneurs operate in a context characterized by uncertainty (Knight, 1921; Christensen, 2001; Kim & Maubourgne, 2005)	

A number of differences between *commercial* and social entrepreneurs merit highlighting, particularly those surrounding resource allocation. Social enterprises are at least partly funded by grants and donations; while *commercial* entrepreneurs might obtain financial support from friends, fools, and family (Read et al., 2011), the process of which is not institutionalized in the way that it is with civil society. Business angels are what come closest to the funding processes of social enterprises for commercial enterprises (Thornton, 1999). Another significant difference is that social entrepreneurs work to empower actors outside an organization's boundaries. They tend to work with a much wider circle of stakeholders and invite competition since replication of their innovative solution increases the creation of value for society.

Because of the nature of what they do, the market does not necessarily weed out inefficient or ineffective social ventures. As a result, social entrepreneurs need to find some means of showing that they create value so that they can access needed resources (Santos, 2009). They do so by being very much in tune with the populations they serve, ensuring that they have a full understanding of the needs and values of the people they work with, and the communities that they impact. In addition, social enterprises work closely with their investors, ensuring that they understand their values and their expectations.

There are a number of other differences that single out social entrepreneurs from their peer group. Social entrepreneurs look for sustainable solutions, not sustainable advantages. Accordingly, Santos (2009) argued that the level of analysis of the firm is not the organization (as with competitive advantage) but the solutions and

their underlying business models. Social entrepreneurs are less concerned with control and more with empowerment, since value appropriation is not their ultimate goal. Social entrepreneurs work to empower actors outside an organization's boundaries. Because of their resource constraints, and tendency to tackle problems looking for sustainable solutions, it is in their interest to empower beneficiaries and potential stakeholders to become part of a solution (Post & Andrews, 1982). Wikipedia can be regarded as a paragon of empowering users.

Finally, the literature does not seem to address the fact that many social enterprises are created in one country to operate in another, or are funded in one country to operate in another. This phenomenon is bound to have implications in terms of resource acquisition and allocation, stakeholder relationships, and cultural factors. However, it is not the purpose of this thesis to look into this aspect.

In summary, this chapter presents a review of the entrepreneurship and social entrepreneurship literature relevant to the current thesis, with the underlying objective of understanding these two concepts, identifying overlap and differences between for-profits/nonprofits/and social enterprises, and whether social entrepreneurs and *commercial entrepreneurs* are indeed of the same genus (Peredo & Mclean, 2006). In reality, the social entrepreneurship field suffers from a lack of commonly accepted definitions. Owing to the emergence of this field, almost all research in social entrepreneurship is of a theory-building nature (Chell, 2007; Dees, 1998; Gartner, 1988; Monllor, 2007; Mulgan, 2007; Phillips et al., 2008; Santos 2009). These researchers attempt to understand and define social entrepreneurship by looking into various and specific elements of this growing field, such as differences between value creation or value appropriation, social entrepreneurship versus social innovation, or how funding

might differ. Research is predominantly qualitative in nature, with case studies of social enterprises used to illustrate specific aspects of theory. The exception to this is Battiliana et al.'s (2012) quantitative study of the fellowship applications of 3,500 Echoing Green applicants as the authors strive to understand hybrid models. One risk of focusing on subsets of the social entrepreneurship field is a potential loss of focus on the gestalt – the proverbial trees for the forest.

The current thesis takes the position that the two categories of entrepreneurship and social entrepreneurship are closely related, and that social entrepreneurs operate in much the same way as other entrepreneurs (Martin & Osberg, 2007). The next chapter focuses on the theoretical underpinning of this thesis, namely, effectuation (Sarasvathy, 2008). Effectuation pertains to entrepreneurial decision-making processes (Read et al., 2011). It is argued that it is critical to understand the theory before assessing its validity in the context of the decision-making patterns of social entrepreneurs.

Chapter 3

Theoretical Conceptualization

The present chapter critically reviews effectuation as a theoretical paradigm for understanding decision-making processes of social entrepreneurs, building on the work of researchers and academics including Schumpeter (1934), Drucker (2001), Dees (2001), and Shackle (1973). An underlying premise is that entrepreneurs effectuate a transformation (Sarasvathy, 1997, 2008). This chapter focuses primarily on discussing the principles of effectuation and their relevance in assessing decision-making processes of social entrepreneurs. The first section defines the environment in which effectual entrepreneurs operate. Section 2 discusses effectual decision making and new venture creation.

Defining the Environment in which Effectual Entrepreneurs Operate: Working with Uncertainty

How entrepreneurs make decisions depends on the type of environment in which they operate and on entrepreneurs' perceptions of their environment. Effectuation explains how entrepreneurs make decisions in the face of non-existent markets (or not existing today), uncertainty, risk, and unpredictability. As such, effectuation carries certain assumptions about how effectual entrepreneurs view the world and how they deal with randomness (Read et al., 2011).

As noted in Chapter 2, classical economists (Ansoff, 1965; Mintzberg, Ahlstrand, & Lampel, 1998; Porter, 1980) view markets as predictable (to a greater or lesser degree) and assume that sooner or later every market reaches a point of perfect equilibrium where supply and demand intersect. Entrepreneurs operating under this causal worldview begin their entrepreneurial journey by searching for the most promising growth area in a market and targeting the largest un-served or underserved segments of the population in that market. Once an opportunity is developed, business plans based on extensive market research and detailed competitive analysis are developed. A causal view assumes that a new venture is sufficiently similar to an existing business such that historical information will be useful for decision-making, and that an environment is sufficiently stable for outcomes based on the past to be relevant to a current situation and the future. Entrepreneurs then look to acquire resources and engage stakeholders who will help implement the plan. Over time, entrepreneurs adapt their venture to environments, creating and sustaining a competitive advantage.

Not all elements of markets are known or even knowable, in any meaningful manner *ex ante* (Ellsberg, 1961; Knight, 1921/1933). Accordingly, models need to not only predict but also take into account risk factors. That is, not all actors behave in a predetermined manner nor do they have access to information necessary to make sound decisions. This is one reason why notions such as risk, imperfect information, and uncertainty have gained prominence in economic analysis (Sarasvathy, 2008). Uncertainty refers to situations where there is no historical data to help decision makers. Uncertainty cannot be modeled or predicted. It is a future that is both unknown and *unknowable*. Uncertainty exists with any new products, new markets, or new

technologies that entrepreneurs choose to promulgate. Uncertainty can happen at any level, from the macro (global warming, the end of fossil fuels) to the micro (the CEO has a heart attack). Qualitative research (Sarasvathy, 2001) shows that entrepreneurs tend to have workable or even winning strategies to deal with uncertainty (Sarasvathy et al., 2008). These strategies are embedded in effectual logic. Table 3.1 summarizes the main differences between causal and effectual approaches to sourcing opportunity.

Table 3.1. Contrasting causal and effectual views on source of opportunity (Read et al., 2011)

The difference between:	The market	The logic	The process
Search and select (causation)	Search and select normally assumes, either explicitly or implicitly, a conscious intent to capture a new, underserved, or latent market. In the literature on entrepreneurship, this normally takes the form of visionary individuals searching for and exploiting market opportunities.	In the search logic, the entrepreneur has a finite set of possibilities that he/she can look into, generally at the local level. The logic does not say how such a search is actually conducted, only that it leads to a given set of possibilities.	Because the goal is predetermined at the start of the venture, the search and select process is a static process that does not evolve over the course of the venture. Surprises are seen as bad.
Creation and transformation (effectuation)	In the concept of transformation, the creation of a new market need not be intentional or even the result of foresight or imagination of possible new markets. It could simply be one way to fulfill an individual's motivations and/or an unanticipated consequence of people just doing things they think are possible and worth doing.	Transformation also begins with very local possibilities. However, rather than looking to select these, entrepreneurial action is seen as involving the transformation of possibilities into opportunities.	Transformation is dynamic and interactive—it is the actions and interactions with committed stakeholders who self-select into the entrepreneurial process that leads to particular transformations that may or may not lead to new markets. Surprises are good.

Principles of Effectuation

Effectual logic is based on the premise: *To the effect we can control the future, we do not need to predict it* (Sarasvathy, 2008, p. 17). This premise builds on Shackles' (1973) work on decision-making in uncertain environments. Effectuation takes the

position that success or failure does not depend on how accurate an original vision turns out to be and how well entrepreneurs execute their business plan (Read et al., 2011). Transformation, the process by which new ventures are created, is perceived as dynamic and interactive. Effectual entrepreneurs begin with an inventory of their means, deciding what they can do with what they have and encouraging others to join them in a process of co-creation. A chain of commitment launched at the start of a venture impacts twofold: It increases resources available by raising stakeholder ownership while at the same time constraining, crystallizing goals, and enabling a venture to converge toward something specific, which might or might not be what an entrepreneur had in mind from the outset. As this network of stakeholders grows with time to include an increasing amount of input from the external world, it becomes gradually less effectual – crystallizing into a distinct new market. It is this interaction between the different stakeholders internal to the network and the external world that creates a new market (Dew & Sarasvathy, 2005; Dew & Sarasvathy, 2007). Figure 3.1 outlines this process of transformation, which is explained in detail below.

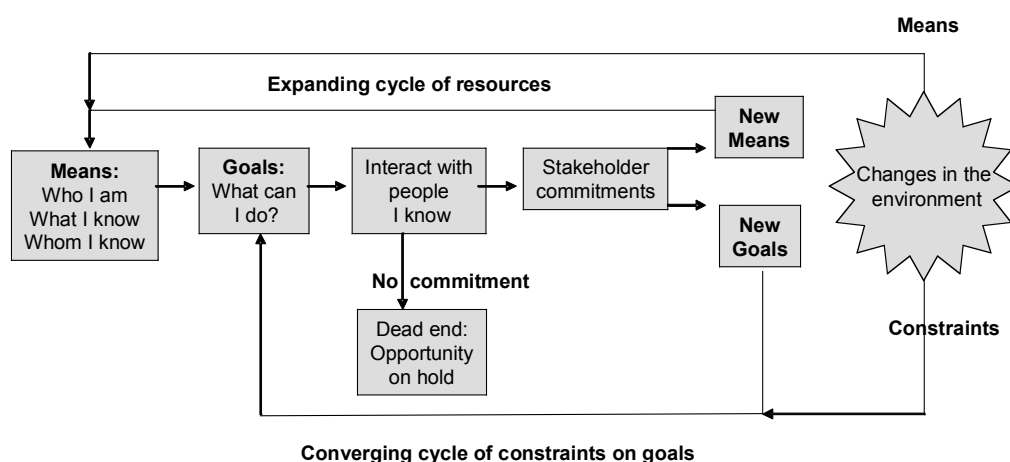


Figure 3.1. The transformation process in the creation of new markets (Read et al., 2011)

As depicted in Figure 3.1, effectuation postulates that there are three types of means available to individuals: *who I am*; *what I know*; and *whom I know*. The first type of means involves stable traits, abilities, and attributes of an individual; the second type includes the education, experience, and expertise unique to that individual; and the third set of means refers to that individual's social network. Together, these three types of means form a pool from which entrepreneurs can draw resources with which to launch a venture. The fundamental question then becomes: What effects can I create, given who I am, what I know, and whom I know (Sarasvathy, 2001, 2008)?

It appears plausible that there are as many high-potential opportunities as there are individuals. Unlike other professions, such as medicine, accounting, dance, or sports, there is no particular set of skills, abilities, or personality types necessary and sufficient for entrepreneurial success. As such, *Who I am*, is a unique competitive advantage – no one else has exactly the same set of traits, attributes, experiences, and network. It is equally plausible that *What I know* is unique to each individual. Because information is generated through idiosyncratic life experiences, the stock of prior knowledge held by individuals differs considerably, making this one of the elements that creates significantly different ventures from two different people, at the same starting point and environment (Sarasvathy, 2008). Finally, a notable asset of entrepreneurs is the people they know. Expert entrepreneurs build firms by building stakeholder networks – adding others' means to their own. Entrepreneurs build stable stakeholder networks out of people they already know, out of people they are connected to through others, and out of contingent interactions — three different sources of who you (eventually) know (Read et al., 2011).

The interaction of these three elements is critical to the launch of ventures. It becomes apparent that any course of action is co-determined by those stakeholders who choose to commit resources to the venture (Read et al., 2011). This commitment of resources comes with its own set of constraints: stakeholders influence the agenda but also create new goals for young ventures. This approach to goals being codetermined with committed stakeholders is in stark contrast with causal approaches. Figure 5 shows that with respect to causal approaches, goals are construed as given and entrepreneurs need to determine only those resources needed to launch a venture, and to develop a business plan and a vision of their desired goals. Predetermined goals encourage stakeholders to self-select into a venture.



Figure 3.2. Causal versus effectual thinking (Read et al., 2011)

In contrast, at the start of an effectual journey, entrepreneurs interact and seek out people – including potential stakeholders, friends, and family, or individuals they meet by chance – to obtain advice and other inputs on how to proceed with a venture. As entrepreneurs interact with individuals who want to participate in building something (at this point, the *something* can be vague or concrete, but it is always very much open to change), they move toward obtaining actual commitment to participate. In this step, what counts is a willingness of stakeholders to commit to a development

process – not their fit with or alignment to some preconceived vision or opportunity. Each person who concretely stakes something to come on board contributes to shaping a vision and opportunity, as well as enabling and executing particular strategies to achieve them (Read & Sarasvathy, 2005). In other words, stakeholders commit resources in exchange for a chance to re-shape the goals of a project, and influence a future that will ultimately result.

The process of negotiation and persuasion has two effects: On the one hand, with each new partner, the means of a venture increase. On the other hand, with time, the goals of a venture crystallize and become increasingly hard to change (Cialdini, 2006). The process can be summarized in three steps: First, each stakeholder brings new means to a venture. Initially, every stakeholder with whom an entrepreneur interacts will bring new means to a venture, which might change the shape of a market being created. Second, stakeholders calculate their affordable loss. Here too, the selection process goes both ways. Because they are participating in the creation of *something* new, stakeholders cannot know upfront what the return of a venture might be, thereby forsaking any calculation of expected return. Instead, stakeholders decide what they are willing to lose. In order to calculate with some certainty what the expected return of a venture might be, entrepreneurs forecast future revenues through a determination of influential contributing environmental factors (customer preferences, supplier costs, competitor activities, financing alternatives, inter alia). Typically, this information is translated into net present value/discounted cash flow models. Clearly, at the start of a venture, these models can be considered as simply estimates and expectations, even guesses (Wiltbank et al., 2006). By contrast, it is easier and one would argue, more concrete, to calculate the potential downside of a venture. That

information is readily available to entrepreneurs: All they need to know is how much they are willing to lose in an attempt to launch a venture, be it time, money, reputation, inter alia. An estimate of affordable loss might vary over life stages and circumstances, depending on an individual's commitments and aspirations. It often does not depend on a venture itself but rather on what an entrepreneur is willing to commit ex ante (Dew et al., forthcoming).

The affordable-loss approach does not mean that information about the upside of a venture is meaningless. It simply incorporates both and recognizes that expected returns are a lot more difficult to estimate and might be unreliable, while affordable loss is a set of data points over which entrepreneurs have full control. Nor does this imply that entrepreneurs choose projects that will not cost a lot if they fail – or that they do not expect to make a lot of money, but acknowledges that uncertain new venture opportunities are difficult to value upfront, while investment of time, money, and other resources are quantifiable, manageable, and controllable.

The third element related to changes in an environment is contingencies. Research (Drucker, 1993; Kim & Maubourgne, 2005; Stevenson & Gumpert, 1985) suggests that entrepreneurs are more likely to see the world in terms of opportunities rather than the attendant threats of changes. It is unclear what drives people to frame things differently, but one explanation might be that individuals differ in how they perceive the world and their place in it (Hofstede, 2001; Maznevski, 1994). As such, approaches to contingencies can be related to certain personality traits (Martin & Sugarman, 1996). Contingencies not only undermine the value of current means in achieving given goals; they also provide opportunities to create new value through those means in pursuit of new goals. In the pre-commitment phase, surprises are an

important shaping factor. In the end, a new venture is the result of sufficient conditions as opposed to necessary conditions (Read et al., 2011). Expert entrepreneurs learn to not only work with surprise factors, but also how to take advantage of them. Instead of adapting to or overcoming contingencies, entrepreneurs realize that contingencies are assets with which they might be able to do something creative. Effectuation logic suggests that entrepreneurs can derive benefits from acknowledging and appropriating accidental events, meetings, and information emanating from their environment. This tendency is in stark contrast to that of corporate managers, who are overwhelmingly more likely to see threats in any given scenario rather than opportunities (Read et al., 2011). In most corporate contingency plans, surprises are bad – the *what if* scenarios are typically worse-case scenarios. However, if entrepreneurs do not allow contingencies to influence the venture, they end up with purely transactional relationships aimed at reaching a predetermined goal.

The cycle, by which new stakeholders commit to a venture, adding their means to it and potentially influencing the outcome, eventually ends. As the shape of a future market starts crystallizing, there is less room for new stakeholders, and for negotiating and shaping the future of a venture. With time, as products, technology or markets take off and businesses mature, most companies move from effectual to causal logic. This shift assumes that companies have been able to turn uncertainty into actionable opportunities. As such, whether one uses prediction or control is driven to some extent by the life-cycle of a company – in the start-up phase, very little is predictable; as the company grows, venture capitalists and other sources of investments might ask for a business plan and some degree of prediction. Finally, large corporations often over-predict and attempt to introduce innovation and therefore uncertainty back into their

DNA (Read et al., 2011). Effectual control techniques imply a preference for working with elements where a significant contingency relationship exists between entrepreneurs and those elements. Clearly, certain situations allow for greater or smaller degrees of control. But focusing on control strategies can have a positive impact on the likelihood of action, irrespective of whether action is based on a causal or effectual approach. Effectuation, however, leverages control in more ways and more directly than a causal approach that requires predictability and upfront investments in planning, and the pursuit of resources required to deliver on plans.

Conclusion

As discussed in Chapter 2, entrepreneurs strive to create, shape, and transform their environment rather than predict it (Chell, 2007; Shackle, 1979). According to effectual logic, information available to entrepreneurs at start up is both incomplete and overwhelming. The market cannot be delineated clearly. Moreover, consumers are unaware of their future preferences. New technologies might emerge. Available data can be confusing and conflicting. This environment, typical of commercial entrepreneurs creating new markets, is also that of social entrepreneurs. The only difference is that social entrepreneurs in general, work to solve a perceived problem – they have some idea of what the market might be, and consumers might be aware of their needs. In as much as the *problem* pre-exists the solution, one might argue that therein lies the difference between social entrepreneurs and commercial entrepreneurs. Social entrepreneurs are looking to innovate within the context of a specific issue, while commercial entrepreneurs might be creating in a void (Austin et al., 2006; Dees, 2001; Martin & Osberg, 2007). However, in the end, both require a market for the enterprise

to be successful. What is also true is that, in most cases, there are no pre-existing data, market analysis, or models social entrepreneurs can follow. On the contrary, a novel solution or product is created from scratch in an attempt to transform, create, and shape the environment into what that individual would like it to be.

In addition, by the very nature of the environment in which they operate, social entrepreneurs work with uncertainty. The space in which the innovation/transformation happens is not one that is easily predictable, requiring a different set of tools to assess the validity of an idea. If one accepts that an environment in which social entrepreneurs operate is uncertain, then it appears reasonable to suggest that assessing affordable loss rather than expected returns might be the best way for social entrepreneurs to decide whether to take the plunge or not. As with commercial entrepreneurs, social entrepreneurs start their journey by imagining several possible courses of action (what can be done with the means at hand). At the start, it is not clear what the outcomes and consequences of each possible route might be. Therefore, these courses of action are evaluated in terms of their costs (affordable loss) rather than their benefits (expected returns) and entrepreneurs prioritize them according to what they are willing to lose (Sarasvathy, 2001). The estimate of affordable loss does not depend on the venture but varies from entrepreneur-to-entrepreneur and even across their life stages and circumstances (Read et al., 2011).

When entrepreneurs do not have market power, they co-create (with partners, customers, suppliers, and so on) their environment, developing new products, firms, or markets from which all the players can benefit. Effectuation assumes individuals can put together partnerships that will successfully create new situations. Plausible courses of action are co-determined with committed stakeholders. In the case of social

enterprises, committed stakeholders often take the form of benefactors and philanthropists on the one hand, and activists and champions on the other hand. In either case, these stakeholders come to the table with their own means, influencing the agendas and direction of enterprises, and generating new sub-goals for ventures. This is particularly true with social enterprises where an entrepreneur's goal might be to impact, for example, health. In this case, the nature of partners and donations, as well as an individual's means, will determine whether a venture focuses on water, diseases, or food. Since committed stakeholders also make commitments in uncertain environments, they in turn make choices based on what they can afford to lose. The focus of the entire decision-making process for individuals involved is on what can be done, given *who* they are, *what* they know, *whom* they know, and *what* they can afford to lose (Sarasvathy et al., 2008), in exactly the same way as commercial entrepreneurs.

Finally, effectuation suggests that entrepreneurs can derive benefits from accepting and working with the accidental, the *unknowable*. Expert entrepreneurs learn to not only work with surprise factors, but also how to take advantage of them, seeing them as a potential new resource that can be turned into value. In the social venture sphere, contingencies and surprises are a reality of doing business – both positive surprises, in the form, for example, of unexpected benefactors and other committed stakeholders, or negative contingencies, for example in the case of natural disasters that can wipe out years of effort.

It appears that, while effectuation might not be the only lens through which to view decision-making processes of social entrepreneurs, it is a useful one. This chapter presented a review of effectuation and how it serves as an appropriate basis from which

to look at the decision making process of social entrepreneurs as they launch new ventures. The next chapter describes the present research methods.

Chapter 4

Method

This chapter, focusing on the present methodology, is divided into two sections: The epistemology and ontology underpinning this thesis and an outline of reasons why this particular case study was selected; followed by a description of the background to the case procedures, interview schedules and, data analytic procedures.

Fundamental Assumptions

After all, man is, in his ordinary way, a very competent knower, and qualitative common sense knowing is not replaced by quantitative knowing. ... This is not to say that such common-sense naturalistic observation is objective, dependable, or unbiased. But it is all that we have. It is the only route to knowledge – noisy, fallible, and biased though it be. (Campbell, 1975, p179)

This methodology takes a constructivist approach, postulating that the objects of knowledge are seen as real structures that endure and operate independently of our knowledge, our experience, and the conditions in which they are borne (Bhaskar, 1975). That is, these structures exist not only in the mind of the individuals involved but also in the objective world, and this is evidenced in patterns by which researchers can induce the underlying constructs of social life. However, this view is but one of the possible perceptions of relationships between investigators and the investigated. How one perceives that relationship as well as how one perceives reality (a subjective or

objective reality) is a function of the worldview carried by researchers and is in part revealed in the choice of methodology.

The next section outlines the epistemological, ontological, and methodological backbone of this thesis, and more specifically, constructivism. It must be noted however, that the lines that clearly delineate the different paradigms and perspectives have in recent years come to blur (Denzin & Lincoln, 2005), with the consequence that researchers borrow from different worldviews within the same research project. This is not the case in this thesis. Rather, the present investigator takes a context-dependent position that evolves over time and is in line with the constructivist paradigm.

Methodological Theoretical Underpinning

The researcher is bound within a net of epistemological and ontological premises which – regardless of the ultimate truth or falsity – become partially self validated (Bateson, 1972, p. 314 in Denzin & Lincoln, 2005).

How the researcher views the nature of reality and the role of the human being – and more specifically, the researcher – within that reality (ontology) has an influence on the nature of a study. Indeed, the choice of working with a case-study methodology has epistemological and ontological implications. In turn, the choice to adhere to a specific set of epistemological and ontological considerations determines methods of data collection. As noted by Denzin & Lincoln (2005):

Strategies of enquiry put paradigms of interpretation into motion. At the same time, (these) also connect the researcher to the specific methods of

collecting and analyzing empirical materials. For example, the case study relies on interviewing, observing, and document analysis. Research strategies implement and anchor paradigms in specific empirical sites, or in specific methodological practices, such as making a case an object of study. (p. 36)

The present researcher holds the position that the reality being observed in the context of investigative research is context dependent, that is, that it is created where, when and as the interaction between a researcher and subject evolves. Denzin and Lincoln (2005) argued that *Qualitative research (...) is a situated activity that locates the observer in the world. It consists of a set of interpretive, material practices that make the world visible* (Denzin & Lincoln, 2005, p. 3). This position is very much the approach taken in this thesis, placing the research within the constructivist paradigm (paradigm understood here as a set of beliefs that guide action). Constructivism:

Assumes a relativist ontology (there are multiple realities), a subjectivist epistemology (knower and respondent co-create understandings) and a naturalistic (in the natural world) set of methodological procedures. Findings are usually presented in terms of the criteria of grounded theory or pattern theories. (Denzin & Lincoln, 2005, p. 24)

Constructivism is one of the five main paradigms that underpin research in social sciences. Two of these paradigms are considered conventional and established, as they have informed research for centuries. These are known respectively as positivism and post-positivism. The other three paradigms competing for legitimacy are constructivism, critical theory, and participatory. These post-modern paradigms

emerged from research in psychology and sociology and are widely accepted today in the context of qualitative research. Positivism holds that reality can be apprehended in its totality (it stands outside the observer) and that the observer can understand it fully. Post-positivism adds to this by suggesting that while reality can be apprehended fully, this reality is imperfect because of the complexity of the world, and the limitations of a researcher – indeed of the human mind – do not allow for a fully complete understanding of the object/situation/process/individual(s) under observation. In the post-modern context, critical theorists reject this quasi-perfect understanding of the real world, suggesting instead that all research is profoundly influenced by the social, political, economic context in which the research is rooted, as well as the gender, economic, and ethnic backgrounds of a researcher. The participatory paradigm holds that reality is in fact co-created by the observed and the observer, influenced by the context in which the event is grounded. In the constructivist approach, reality or validity are not absolute, but relative, where:

'Truth' is defined as the best informed (amount and quality of information) and most sophisticated (power with which the information is understood and used) construction on which there is consensus (although there may be several constructions extant that simultaneously meet that criterion. (Lincoln & Guba, 1985, p. 84)

Constructivists believe that the observer and the observed carry a subjective bias with them that impacts the assessment of the phenomenon under observation, the proverbial rose-colored glasses. As the two interact, reality is co-created. What is important is that a researcher looks for what is useful, for what has meaning (Lincoln &

Guba, 1985), accepting that the reality that results from the interaction is subjective, but never-the-less looking for patterns that may help understand a greater reality than that bound within the case under observation. This is in stark contrast to positivists and post-positivists who believe reality to be objective. The constructivist paradigm in turn suggests an interpretive (hermeneutical) approach framed within the context of natural inquiry. Proponents of the constructivist paradigm hold that reality is best apprehended in its natural setting (where it is most likely to happen), as opposed to the positivistic paradigms, which rely on experimentation, or the participatory paradigm, which, unsurprisingly, relies on participation. Closer are the critical theorists who also work within a natural inquiry framework. The constructivist approach can be compared to the journey of a pedestrian walking down a street: he or she has chosen which street to walk down, the pavement, the people he or she might interact with, accepting that some of what happens might be outside of his/her control, while at the same time being constrained by the reality of the street: the traffic, the neighborhood, unexpected events and who might be walking down that street on that day.

The adoption of a constructivist paradigm is deemed appropriate for the current thesis in that constructivists derive knowledge from listening to and interacting with the object of their research. The knowledge thus acquired helps reconstruct, through co-creation, a picture of reality that contributes to an understanding of patterns at a more general level. Because most researchers are aware of the influence of their values on the nature of a construct, as well as the influence of a subject's values, it is understood that the constructed reality is not objective; all the while recognizing the value of what has been co-created. It is this co-created reality that builds understanding, allowing a researcher to see patterns that move from the singular to the general. Indeed,

Denzin and Lincoln (2005) remind the researcher that *every instance of a case or process bears the stamp of the general class of phenomenon to which it belongs. However, any given instance is likely to be particular and unique* (p. 378). Insofar as the preferred methodology of constructivists is the case study, it is essential that a case reflect both the unique and the general, that is to say, it needs to be representative.

It is this search of the general in the specific that encourages qualitative researchers to use theoretical or purposive strategies when determining the object of study – selecting that group or category where the phenomenon is most likely to occur. The implications are that a researcher must constantly compare with other groups in order to develop an idea of the general from the specific, explaining in part why constructivists' preferred research methodology is the interpretive case study. The constructivist paradigm fits well with the current thesis, both in terms of epistemology and methodology: the present research is clearly constructivist in its approach, and a case methodology was selected because of the very fact that it illustrates the phenomenon under investigation. In addition to the more philosophical and epistemological discussions related to methodology, an issue here was to apply the most appropriate way to cast a defensible light on the research question posed. The ultimate purpose was to seek groups and settings where and for whom the processes being studied were most likely to occur (Glaser & Strauss, 1967), and where better than by studying the decision-making processes of the founder of a social enterprise? Close association with a social enterprise allowed the present researcher to track the decision-making processes and activities on a daily basis, and in *real-time*. Obviously, the research theme had to be applicable to case methodology. This is true when a phenomenon of interest cannot be studied outside its natural setting, when a study

focuses on contemporary events, or when a phenomenon does not enjoy an established theoretical basis (Benbasat, Goldstein, & Mead, 1987), all three of which are applicable in the current study.

Case studies were first introduced in the social sciences in the mid 19th century by researchers looking into societal trends. Le Play is considered the father of case studies with his analysis of the European working class (Le Play, 1829). The Chicago school that prevailed in the 1920s and 1930s gave qualitative research its *lettres de noblesse*, establishing qualitative research methods, and more specifically case studies, as an important research tool. In parallel, the work of socio-anthropologists such as Margaret Mead, Claude Levi-Strauss, and their peers ensured the legitimacy of the case method within the field of social sciences (Corbin & Strauss, 1990). Their work led to the recognition that case studies were essential in providing the depth of analysis necessary for the development of conceptual frameworks (Chandler, 1962; Dyer & Wilkins, 1991; Lawrence & Lorsch, 1967; Post & Andrews, 1982). Today, case-based research is seen as particularly important when studying complex and contemporary social phenomena (Yin, 1984).

The case study in this thesis falls into the category labeled by Stake (1994) as *instrumental*. Instrumental case studies allow a researcher to understand, refine, or support a particular theory (the emerging situation is important and the company is a *tool* to gain in-depth understanding and insights), and serves generic theory building, not intentionally related to extremes or any industry-specific contexts (using a single-case study inherently means that potentially moderating variables cannot be controlled for). The other two types of cases defined by Stake (1994) include *intrinsic* cases, where one particular case is of great interest and the purpose is neither theory building

nor verification of theory; and *collective* case studies, where a number of cases are studied jointly to inquire into a phenomenon, population, or general condition.

Stake (1994) argued that *instrumental* cases are particularly useful when a researcher comes with a set of pre-developed instruments. The aidha case study falls into this category, as it was chosen for its potential to advance our understanding of the fit between effectuation and social enterprises. In line with the constructivist approach, the selection of the case was opportunistic, which Stake (1994) recommends: *my choice would be to choose that case from which we feel we can learn the most. That may mean taking the one most accessible or the one we can spend the most time with* (p. 451).

Beyond the argument made above, a qualitative, case-based research design was also chosen for the following reasons. First, the nature of the subject was complex, and the boundaries between the phenomena and context were not clearly evident (Yin, 1984, 2003). Indeed, understanding the decision-making processes of a founder is a complex matter involving opportunity, personality, motivation, and skills *inter alia*. Second, the case method offered an opportunity to study (describe and interpret) a naturally occurring event as it emerged and where the emerging theory is *transparently observable* (Pettigrew, 1988). Context-rich and exploratory studies are called for by leading academics in this field and the use of a (single) case study can illuminate and provide an in-depth understanding of an emerging issue and *get close to the world of managers, and to interpret this world and its problems from the inside* (Dalton, 1959). Finally, the participant observer role of this researcher allowed for a rich contextualization of decision-making processes.

It is important to note that case studies are not merely a methodological choice but also a choice of object to study. A researcher ultimately strives to understand the *general* from the specific and vice versa. To move to the specific, the object under study must have a certain degree of specificity and boundedness, so that an object under observation can indeed be observed (Stake, 1994). Stake adds:

Most cases have working parts and purpose, many have a self ... It is common to recognize that certain features are within the system, within the boundaries of the case, and other features outside. In ways, the activity is patterned. Coherence and sequence are there to be found.
(p. 444)

Patterns and sequences pertaining to effectuation are to be found in the aidha case. Ultimately, the question is *what can I learn from this case?* Outcomes show that mapping effectual principles onto the decision-making patterns of the founders of social enterprises culminate in a rich array of knowledge, including a confirmation that principles that apply to new for-profit ventures are applicable to social enterprises, including, and particularly, those pertaining to entrepreneurs launching ventures based on their means, assessing affordable loss rather than determining expected returns, and working with committed stakeholders.

It is also important to clarify why a single-case-study approach, as opposed to a multiple-case-study approach, was selected. Yin (1984) provided three important reasons for choosing a single-case study: when the single case is a critical test of a unique theory; when the case represents an extreme or unique case; and finally, when the case is revelatory (unique access to insights). As demonstrated by

the outcomes derived from this case study, aidha presented as a sound test of the hypothesis that effectuation might be applicable to social enterprises in their reality as a different form of new venture. In addition, aidha represented a *typical* social enterprise, and the time spent with this enterprise allowed for longitudinal data points (Yin, 2003). As such, the current case is revelatory.

While a single-case study often cannot be used as a basis for generalization or as the ground for disproving an established generalization (Lijphart, 1971), researchers are encouraged to provide suggestions and formulate propositions (Cronbach, 1975; Miles & Huberman, 1984), making connections between antecedents and consequences probabilistic in nature rather than conclusive. Another approach adopted in an attempt to address this weakness is to use multiple case studies, thereby supporting findings by generalizing results to a greater extent (Eisenhardt, 1991; Eisenhardt & Graebner, 2007). This thesis followed the recommendations of Cronbach and his peers, outlining suggestions as to what could be learnt from the current study.

Case study methodology can be accompanied by another set of research strategies, known as participant-observation (the genesis of which can be found in the work of Malinowski (1922), and the Chicago School of Sociology). Participant observation strategies aim to gain a close and intimate familiarity with a given group of individuals and their practices through an intensive involvement with people in their natural environment, often – though not always – over an extended period of time. This method originated in the fieldwork of social anthropologists, and is discussed here only in that – within the context of this thesis – the present investigator was both an observer of the phenomenon and a participant. Adler and Adler (1994) considered

observation to be the fundamental base of all research methods because body language, intonation, and location add meaning to the words being spoken.

Over 50 years ago, Gold (1958) defined at least four distinct roles in the participation-observation continuum, from that of complete participant, to participant as observer, to observer as participant, and finally to complete observer (p. 58). These roles relate to the biases as well as the impact of a researcher, that is, from a state where a researcher's presence affects the case under study to a state where a study impacts a researcher, as outsiders influence insiders and vice versa (Miles & Huberman, 1984). The role of the present investigator in this study varied between pure observing (being at presentations, management meetings) and participant-observing, all done within the mindset of engaging in the context rather than only observing from the armchair (analogy from Weick, 1995). The participant-observer role of the present researcher is in line with many ethnographic and grounded theory studies, and is consistent with Morgan's (1983) and Mason's (2002) prescriptive argument that research be treated as a process of engagement. It is also in line with current assumptions around observation-based research, which encourages researchers to develop a *membership* identity with the community being observed (Angrosino & Perez, 2000, p. 733).

The advantages and disadvantages of the participant-observer approach are discussed widely in ethnography (O'Reilly, 2005; Peacock, 2001). The advantage of participation and *being close to an insider's world* is the importance of getting close enough to what is really going on and sensitizing oneself to the world of others through experience and through the co-construction of the social world under investigation. The disadvantage lies primarily in the biases that participation can create, since a researcher influences what is studied; and partially in the difficulties of *going native* and thus

losing one's original perspective, which is important for eventually conveying messages and analyzing back to what has become the outside world. This concern has been addressed in that the current thesis is taken as belonging to the constructivist paradigm, which recognizes the potential bias introduced by a researcher and accepts that reality is co-created both by the observed and the observer.

Irrespective of approach, there will inevitably be some degree of interpretation (Weick, 1989), and steps that will rely on the insight and interpretation of a researcher. Indeed, Mintzberg (1979) argued that *data do not develop theory; human creativity and intuition are required* (p. 584). This is very much in line with the constructivist paradigm and the philosophy of this study. It is also understood that research in social sciences inevitably carries the risk of researcher bias, best said by McGrath (1982) who stated: *All research strategies and methods are seriously flawed* (p. 70).

In summary, the choices made by the present investigator have the following implications: a constructivist approach is deemed most appropriate. The constructivist approach involves a relativistic ontology, where a specific reality is constructed and co-constructed locally; and a subjective epistemology and a dialectical methodology (Lincoln & Guba, 1985, p. 193). A single case study was selected, while recognizing that generalizations from a single data point have limitations that need to be addressed and where findings should be viewed within the context of these limitations.

aidha Case Study

This section provides insight into why aidha was selected as a subject of a study. Case study research relies on a number of strategies of inquiry, including

interviewing, observing, recording, and document analysis, inter alia, so the following sections detail how these tools were applied in the context of the current thesis. Janesick (2005) suggested that good qualitative research requires procedures that are both open-ended and rigorous. In many ways, a case study approach is by its very nature both open-ended (researchers do not have complete control over the situation, cannot script responses from participants), and rigorous (there is a method to case-study method). In the current research the approach was both open-ended (a number of interviews were spontaneous and questions were mostly open-ended) and robust (the current investigator was looking into the applicability of certain constructs, and therefore had to be empirical in the pursuit of this exploration). This study was carried out at an individual level (the founder) and the organizational level (embedded case study).

Participant

The case study selected as *participant* for this investigation into the decision-making processes of social entrepreneurs is that of aidha, a social enterprise based in Singapore. Founded in 2006, aidha provides financial and entrepreneurial education to a migrant worker population of the city-state, more specifically to women employed as domestic helpers. This school was set up to provide money management skills (in an effort to encourage savings) and entrepreneurship skills (a nine-month program to support the launch of small businesses). As such, a goal of aidha is to extend the microcredit model developed by Grameen Bank by encouraging its students to save their income (rather than, or in addition, to borrowing) and build sustainable businesses that might support them and their families (Mavrinac, 2009).

The founder of aidha is Dr. Sarah Mavrinac, a Harvard and Insead finance faculty member who relocated to Singapore in 2004. In 2006, Mavrinac was involved in a Citibank/Unifem project looking into financial literacy in South East Asia. Results of that study showed that financial awareness (knowing one should keep a budget) did not lead to savings. She set about putting together a program that would help migrant workers build their savings in order to launch small ventures back home. The hope was that these savings would help generate jobs that would break the cycle of poverty (Dupas & Robinson, 2010).

At the time of the present study there existed a core team at aidha that had been with it since its foundation. This team was composed of Sarah Mavrinac, Saleemah Ismail (who worked for Unifem and was critical in not only launching aidha but subsequently ensuring its independence from Unifem) and Stowe Alutz, who helped Sarah design the original course material, serving as mediator and counselor to various members of the team as conflicts arose or disagreements flared. At the time of its founding, aidha was staffed exclusively by volunteers (Refer to Appendix 4.1 for aidha's 2011 budget). In 2009, this core team was expanded to include Veronica Gamez, who had decided to leave her role at Barclay's to work with a social enterprise. Gamez was to become Mavrinac's right hand, providing support in running the social enterprise on a day-to-day basis. A summary of key staff and their tenure at aidha is provided below in Table 4.1.

Table 4.1. Key staff and tenure with aidha

Key Staff			
Key staff	Function	Nationality	With aidha since:
Sarah Mavrinac	Founder and President	American	2006
Veronica Gamez	Executive director	Mexican	2009
Jocelyn Jimenez	Student enrollment	Philippina	2009
Weiwin Chen	Accounting	Singaporean	2010
Audrey Wong	Office Manager	Singaporean	2011
Utkarsh Sharma	Support	Indian	2011
Saleemah Ismail	Unlfem support	Malay	2009
Vishrut Jain	Board member	Singaporean	2009
Claudine Lim	Board member	Singaporean	2009
Clarence Singam-Zhou	Board member	Singaporean	2009
Stowe Alutz	Communications	American	2006

When the group moved to offices set aside by the Singaporean government for social enterprises, turning the small enterprise into a slightly larger, more established organization, the senior management team continued to work on a voluntary basis. It was only in 2010 that relatively small salaries were paid for three roles: the head of the Singapore campus, the office manager, and the auditor/finance manager. These salaries were closer to stipends than to market-based salaries, and were made possible by the growing organization's revenues. The other 500 volunteers continued to work along the original volunteering terms – that is, they provided their time and expertise as and when they could. The fact that the workforce was primarily composed of volunteers is important as it provides insight into the staff at aidha: dedicated volunteers, six of whom (the senior team) worked at the school six days out of seven. But this volunteer

base was also the organization's greatest weakness: when a team member needed to move into a paying job, or relocated, aidha did not have the means of keeping the talent it needed.

The school's board also worked on a voluntary basis, and was primarily composed of Singaporean lawyers and corporate executives who could provide input and contacts within the local community. Below, in Table 4.2, is a summary of aidha's profile, including students and stakeholders.

Table 1.2. Summary data on aidha, staff and student demographics

Aidha profile	
Founded	2006 by Sarah Mavrinc. An offshoot of Unifem.
Stakeholders	a variety over time, primarily companies providing support as part of their CSR efforts
Number of employees	Fulltime:6, parttime: 500. 70% employees women, 30% men.
student demographics	250 students per Sunday, 3'000 per year. All women.
Supporting institutions	Unifem (at foundation), Insead (for graduation), American Chamber of Commerce (for classroom space)
Funding	self funded, support of SGD 5'000 a month from a private donor for year 2011: Students pay SGD 250 for a two year program (class twice a month). Employers can sponsor students.

Mavrinc has kept close ties with the academic community both in Singapore and in the U.S., and faculty from Singapore Management University and Insead often come to teach on Sundays (the class day). Corporate partners are also keen to send employees to teach and provide logistical support as part of their Corporate Social

Responsibility (CSR) efforts. Allianz for example, sent a team of three people to look at the school's organizational structure and suggest improvements in communication strategy as the school moved to expand abroad.

Procedure

There appears to be no single guideline for how to write up qualitative data, whether for journals or for dissertations, leaving this choice to a researcher. While data collection and analysis is a dynamic and interactive process that happens concurrently (Taylor & Bogdan, 1998) they are kept separate to a great extent in this thesis. Section (A) describes the data collection procedures of this thesis, while section (B) focuses on data analytics.

Data collection procedures

aidha was studied for a period of 8 months, in what in ethnography is termed overt research, whereby a researcher's identity is known to all participants (O'Reilly, 2005). In addition to her role as faculty, the current researcher was nominated as a member of the senior management team, in the role of Director, Partnership & Outreach. Her role was primarily to develop a new entrepreneurship curriculum and help with the management and growth of the school. The present investigator spent 100% of her time at the school, engaging with other members of the team and teaching on Sundays.

A mix of primary and secondary sources were used to collect data, including interviews with the founder, analysis of the school's documentation, *hanging out* (Corbin & Strauss, 1990) in corridors and engaging in coffee-time chats. The mix of

sources is in line with recommendations from the literature and Glaser's (1978) statement that all is data. This approach reflects ethnographic traditions of collecting data from as many facets of life as possible (O'Reilly, 2005). The procedures employed are described, below.

On a daily basis, data were collected without attempting to categorize what was being recorded. The objective was to follow the decision-making process of the founder and how she went about creating and sustaining a successful venture. This dissociation between recording of the data and analysis was done consciously to remain objective and avoid fitting events into preexisting categories. It was only at the end of the present investigator's tenure with the organization that data analyses were undertaken, comparing the theoretical principles of effectuation with what had actually happened in this organization. The present researcher then went back and clarified, and tested assumptions with the main protagonist.

A typical day at the social enterprise might look something like this: The current investigator would arrive at the offices at 9am. There was no allocated desk space so every individual would simply chose a place to sit in the two big rooms that made up the office space. Mavrinac was often the first to arrive, and would immediately start fire-fighting. Soon after, her right hand, Veronica Gamez, would arrive. The present researcher observed their conversations, which often had to do with organization and logistics (for example, were the binders printed? Where and how would we buy a new printer? Could we find a sponsor to pay for it? If we want to print everything in color, how much of the cost can we absorb and how much can the students or their employers pay?). The two individuals clashed frequently, with Mavrinac more of a visionary and perfectionist, and Gamez a realist. Unknowingly,

they were strongly complementary. Other volunteers would start coming in throughout the day, including the person in charge of finance, who came once a week, and an ex-aidha student, Jocelyn, who helped with student registration.

Classes were held on Sundays, so few volunteers showed up on Monday. Tuesday night was volunteer night, where volunteers would come between 7pm and 10pm and help with small but important tasks such as inputting data into the database, cleaning up the storage room, printing class material. There was always more work than time in which to complete it. Meetings were typically held at the end of the day or spontaneously – often as soon as Mavrinac had an idea, and often sitting outside the school, on the benches used for class, or in a café or restaurant. Attendance was mostly voluntary and sporadic, except for the core team. The present researcher participated in meetings around outreach strategies and spent a great deal of time developing a micro-entrepreneurship curriculum. Because this was an independent task, it allowed the current investigator to observe the functioning of the social enterprise. A specific example of a spontaneous conversation relating to the use of means by the founder follows:

Researcher: Why do you think reaching out to corporations with the entrepreneurship program is a good idea?

Mavrinac: Well, because I have this friend who works with Rhodia, and in China they have huge factories, and villages around those factories with families and they are not interested in our savings program but in something they can also teach the families. So I am going to pitch our venture clubs to them.

Notes were taken on a daily basis. In addition to these daily interactions, the present researcher also ran classes every second Sunday of the month, for a total of 18 sessions per year. Interaction with students provided the other side of the coin and allowed the present researcher to appreciate the impact of any solution.

This type of daily interaction allowed the current investigator to seize and clarify decisions as they were made. It must be noted that since this thesis focuses on the decision-making processes of the founder, her decisions were the ones that were critical, as opposed to those of other team members. One unexpected advantage was that Mavrillac's background as an academic made interaction easy as she understood clearly the purpose of the questions posed and answered candidly. Participating in conversations and watching the interaction between team members and how these evolved over time allowed for a rich and layered observation not possible when interaction is sporadic.

Interview Protocol

In the context of this thesis, both structured (open ended) and unstructured interviews were conducted with Mavrillac, following Perakyla's (2005) recommendation that:

By using interviews, the researcher can reach areas of reality that would otherwise remain inaccessible such as people's subjective experiences and attitudes. (p. 869)

Since the thesis looks at decision-making processes of social entrepreneurs, Mavrillac was the target interviewee, while other key stakeholders were observed in

their interaction with the founder. Informal interviewing is often conducted in parallel to participant observation and this too added to the wealth of information gathered about the founder's decision-making processes (Fontana & Frey, 2005). In this case, informal interviews took the form of on-the-spot questions that were asked by the present researcher in an effort to understand motivations or clarify decisions made. The current investigator would frequently sit with the founder and listen as she debated her choices, the strategic direction of this small enterprise, and the perennial question that all entrepreneurs ask themselves *what to do next?* Indeed, an aim was not to explain the behavior within the context of a pre-established categorization or classification, but rather to understand the complexity and context of decisions. It was only after these decisions and choices were made that the current investigator went back and sought to understand whether they could be explained within the framework of effectuation or not. This approach was resolutely modernistic in that it did not follow the how-to recommended by the more traditionalist sociologists (accessing the setting, understanding language and culture, deciding how to present oneself, locating an informant, gaining trust, establishing rapport, collecting empirical material). There were several reasons for this. *aidha* was specifically selected as the case study because it was representative of a group of social enterprises and the present researcher had established rapport, trust and had access to the setting prior to starting the interviewing processes. Finally, the *informant* was easy to locate since the researcher was specifically looking at the decision-making processes of the founder. This approach is not unusual, while recognizing that one cannot completely neutralize the impact of the participant/interviewer (Markus & Fischer, 1986). That being said, while a number of

conversations were informal, *friendly* conversations, the unstructured interviews were conducted without falling into the trap of:

Getting involved in a 'real' conversation in which he or she answers questions asked by the respondent or provides personal opinions on the matters discussed. (Fontana & Frey, 2005, p. 712)

When data collection involved interviews, the responses were written down and then sent back to the interviewee for validation. Interviews, data, analysis, and interpretation was validated by interviewees. While no tests of inter-rater reliability were conducted, information was gathered from a series of observations as well as multiple points of interaction with key participants and personnel, over a period of eight months. In other words, data collection involved multiple observation points with multiple people. This procedure enabled validation of data interpretation and ensured reliability of data collection methods.

Interviews were conducted at the end of this study, with an additional two-hour follow-up interview conducted a couple of months after the end of this study with the founder. The purpose of this last interview was to fill in gaps in the history of the enterprise and confirm the current researcher's interpretation of some of the decisions made by the founder (See Appendix 4.2 for a copy of the present interview protocol).

Data analysis procedures

While the data might be presented in a neat and linear format, in reality analysis happen in a somewhat *messy* and time-consuming process. Thus, data analysis

is the process of bringing order, structure, and interpretation to the mass of collected data (Marshall & Rossman, 1989). In this thesis, the case study is presented separately from the analysis, but the way in which data are presented, as well as what data were chosen to be included or not, is open to criticism at some level, in line with Backman and Kyngäs' (1999) warning that:

The results are discovered via a multiphase process. The researcher is able to describe part of this process accurately, but part of the process has taken place unconsciously in the researcher's mind, and this part of the process is difficult to write down. This may cause problems to the readers, because they are unable to follow the way in which the results have been discovered and to understand the connection between the data and the results. (p. 151)

As noted earlier, the data were collected, transcribed, analyzed and written up in case study form over the course of 8 months, exploring for patterns revealing how the founder made her decisions and how the organization evolved as a venture. These patterns were then confronted to those purported by the effectuation logic.

In the daily interaction with staff and students, the present researcher took notes around both decisions made and content of conversations. Observations were noted directly into the case study template or in the notebook. Meetings took place on average three times a week, and often included the entire management team (Mavrinac, Gamez, Wong, Utkarsh were the most frequent participants). When running meetings, notes on key decisions were made the same day or the following day. When off-site with clients, notes were taken during conversations. The team quickly recognized the

present researcher as a compulsive note taker, and this did not distract from the interactions.

Textual analysis of company documents and contextual information provided a deeper understanding of the organizational culture, as well as a balanced analysis around the evolution of this organization (for example, did the school develop material for corporate programs? Did it create and distribute marketing material? Did the language and objectives of the social enterprise evolve over time?). The textual analysis included organizational documentation produced during the course of the study (for example, see Appendix 4.3 for a copy of an aidha newsletter).

In the context of this thesis, *hanging out and listening in* (Corbin & Strauss, 1990) took place on location (in the common room, on Sundays during class, over cigarette breaks, over lunch). As a member of the management team, the present researcher had the opportunity to sit in on all meetings, and as a board member, this also included board meetings. As noted previously, Mavrinac and her decisions were the primary focus of the current investigator, but hanging out and listening not only to her discussions and conversations with other team members, but also to the conversations between team members, led to the attainment of a deep understanding of context, and to some degree, to assess the effectiveness of the decisions made by Mavrinac. For example, her discussions with the head of CSR for Rhodia around supporting education at the schools around their factories in China provided one example by which the current researcher could assess the founder's relationship to committed stakeholders and potential partners.

Data are presented in a classical case study format, including the founding and history of the organization, target group, mission statement, theoretical foundation, context, issues of funding and financing, strengths and weaknesses, strategy and outreach. Extracts from the interviews with Mavrinac are included in Chapter 5: Discussion.

Conclusion

In closing this chapter it is important to remember the words of Gould (1998): *utterly unbiased observation must rank as a primary myth and shibboleth of science, for we can only see what fits into our mental space, and all description includes interpretation as well as sensory reporting* (p. 72).

This chapter presented the research method employed in this thesis. The next chapter presents the participant selected as the case study for this thesis, namely aidha.

Chapter 5

A Case Study of aidha – A Social Enterprise

This chapter reports on the case of aidha, a Singaporean-based social enterprise founded in 2006. aidha's mission is to provide financial (savings) and entrepreneurial (micro and small business) education to migrant workers in this city-state. The present case overviews the venture's foundation and growth, while analyzing the overlap between the principles of effectuation and this case study. The decisions made by the founder of aidha, Sarah Mavrinac, are explored in relation to the decision-making principles of effectuation to determine their applicability to social entrepreneurs. Mavrinac, as the founder of the venture, was the principle interviewee, while another five individuals were interviewed on an informal basis. Chapter 5 culminates in the establishment of a set of six testable propositions and a conceptual model of social enterprise venture creation.

Contextual Background: Migration, Remittances, and Entrepreneurship

Over the previous 20 years, cross-country migration has reached an unprecedented scale within Asia. According to the World Bank, over 215 million people live outside their home country. Estimates for 2011 place the value of remittances sent home at US\$372 billion. The actual number is probably much higher as underground and informal remittance mechanisms are difficult to estimate (World Bank, Migration & Remittances Report, 2011).

Among the reasons for cross-border movement, migration for the purposes of employment is not uncommon (Chandy & Narasimhan, 2011). People move to countries where the wealth of a local economy promises relatively higher wages. While some migration is that of highly skilled, well-paid workers who move primarily with multinationals, the majority is still driven by individuals filling low-skill jobs. Consistent with this phenomenon is the allocation of significant portions of remittances for basic family needs. Empirical evidence (Germenji, Beka, & Sarris, 2001; Hagen-Zanker & Siegel, 2007; King & Black, 2004) points to the use of remittances primarily for consumption, that is, for the construction of homes, and more significantly, for the purchase of basic foodstuffs, clothing, small household goods, electronic products, and home furnishings. This tendency for migrant families to use received remittances primarily for consumption rather than for investment in business operations or farm activities, which might serve as revenue-generating activities, is well documented. And yet, in three compelling articles, Dustmann et al. (2002), McMillan and Woodruff (2002), and Murphy (2000) argued that the onset of remittance flows can contribute to the relaxation of credit and insurance constraints, and as such, foster productive investment at home.

Indeed, significant emphasis has been placed recently on the propensity among migrants for self-employment and entrepreneurial business venture, upon return. The International Organization for Migration (IOM), for example, suggests a marked tendency toward entrepreneurship among lesser-skilled migrants who, in highly competitive labor markets in their home country, enjoy few traditional labor market alternatives (IOM, 2011). Extant literature (Dustmann & Kirchkamp, 2002; Ilahi, 1999; Karlan & Valdivia, 2011) is consistent, concluding that such micro-enterprise

development is, like longer-term family welfare, heavily dependent on migrant savings. But savings are hard-won. McCormick and Wahba (2001) estimated that one-third of respondents fail to save during their tenure overseas. More recently, qualitative analyses focusing on returning Filipina migrants point similarly to the challenge of savings. The Filipino-based NGO Atikha, for example, addresses this failure to save. Its founders suggest that it is attributable to an inability or unwillingness on the part of individual migrant workers to organize family commitment to savings. This is also where the role of women becomes critical.

Despite the world's humanitarian efforts, poverty will realistically end only when the women who *live* poverty have the power and skills to invest in personal solutions (Munzele & Ratha, 2005). In an environment where people often find themselves unemployed or underemployed, traditional employment is not a realistic way to support a family, and new ways to create economic opportunities are necessary in order to overcome poverty (Banerjee & Duflo, 2007; Yunus, 1999). A number of authors (Chandy & Narasimhan, 2011; de Mel, McKenzie, & Woodruff, 2010; Djankov, Qian, Roland, & Zhuravskaya, 2008; Prahalad, 2005) in the field agree that one of the most powerful ways of fighting poverty is through self-employment. This need for self-employment explains, in part, the success of microfinance and of the many programs aimed at providing skills to a specific group. With tiny loans received from microfinance institutions, millions of women around the world have established entrepreneurial ventures (Bali, Swain, & Varghese, 2011). Their micro-enterprises provide needed income with which to feed and clothe children, ensure their education and medical care, and improve housing.

To scale their micro enterprises, to create small from micro, entrepreneurs need more than just money. For success, and to engender the confidence that is essential to investment, women micro-entrepreneurs also need business networks, role models, and the management training that nurtures their strategic vision, improved decision making, and considered planning. This is where social enterprises such as aidha play a significant role.

aidha

aidha's mission is to empower women to save their own capital in order to fund the launch of a small business. Graduates of aidha return home with savings, a business plan and the means to develop self-employment, thereby generating income for themselves and their families. The school teaches money management skills (that lead to savings) and entrepreneurship skills (that lead to the development of a sound business plan) to migrant women working as domestic helpers in Singapore. As such, two central goals of aidha are to extend the microcredit model developed by Grameen Bank, and to build sustainable businesses on a slightly larger scale.

Launching aidha

Origins and educational portfolio

aidha's origins lie in a project developed by the United Nations Development Fund for Women in Singapore (UNIFEM). In late 2005, UNIFEM funded a study whose objective was to understand financial literacy in South East Asia. Sarah Mavrinnac, a Harvard academic who had recently joined the finance faculty of Insead's

Singapore campus, headed the study. Findings suggested that financial education per se did not explain savings activity; however, financial education received early in the migration experience was significant in explaining both variations in cash savings amassed and participants' tendency to invest in *productive assets*, that is, income-generating assets.

Consequently, aidha's very first program, entitled Managing your Money (MYM) was designed to provide migrant women with financial education, and a foundation in personal finance, and to promote basic skills in money management and financial planning. Students were also invited to share their experiences and motivate each other, encouraging one another to change their spending patterns and save. Over time, MYM evolved into the Compass Clubs, a redesign of the original program that ran over nine months, with a maximum of six to eight students per class, supported by a dedicated mentor who worked with the same group, for the entire period. The increase in savings proved to be significant, as highlighted in Figure 5.1. This figure shows the level of savings pre- and post-program for 250 students (1 cohort over 9 months), with savings going from almost nothing to a sustainable 15%-20% post-program.

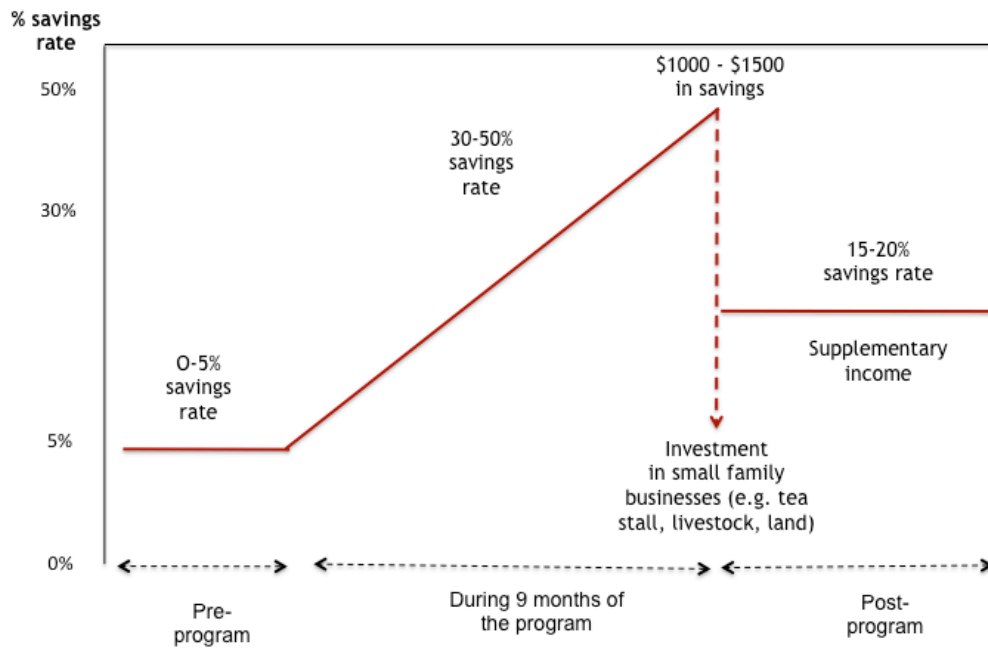


Figure 5.1 Change in savings following compass club attendance (aidha documentation, 2010)

An evaluation of the Compass Clubs programs showed that participants were motivated to increase their personal wealth and invest in their futures (aidha documentation, 2010). Gamez, office manager of the Singapore campus, recounts: *The six women in my group cumulatively purchased a 12-seat food court, a 2-storey house, a motorcycle to generate income from deliveries, three cows (one of which was almost immediately pregnant), and a small household supply shop¹*. All of these purchases were made in the Philippines, while the students continued to earn an income employed as domestic workers in Singapore. This savings-oriented behavior was a significant departure from the usual spending pattern of remitting the majority of their income to the Philippines for immediate consumption (Tuason, 2008). These students were investing in sustainable futures, fostering success in their family members, and

¹ V. Gamez, personal communication, March 30, 2009

facilitating social change. They were also learning to negotiate this future with family members back home. Appendices 5.1 and 5.2 provide examples of aidha newsletters discussing the impact of the Compass Clubs in students' lives. Marie-Laure Caille, a mentor at aidha and professor of finance at ESSEC Business School (Ecole Supérieure des Sciences Economiques et Commerciales, based in Paris, France, and Singapore), explained:

It is often difficult for these women to explain that the money has to be kept for later. Extended family members are used to receiving what they ask for, and the women find it hard to say "no". We have introduced a model where we reward the students for saying "no" and sticking to their plan. Levels of saving will be contingent on their ability to coopt the family into their plan.

It soon became obvious that helping students save was not sufficient – these savings had to be invested into income-generating assets if they were going to make a difference to students and their families. It was not uncommon to meet students who were on their second or third mission abroad, having run out of savings back home. As a result, the school launched the Venture Clubs program, focusing on entrepreneurship and the launch of small businesses.

The Venture Clubs were designed to mirror business school education, with each lesson illustrated by a case study relevant to the student population. The program runs for 14 sessions over a seven-month period. For each of the 14 sessions, budding entrepreneurs are provided with a problem (e.g., *How does one manage cash flow?*) and a set of tools with which to work (e.g., budgeting, inventory management). As with

standard case study work, students then work out solutions, utilizing their acquired tools to develop their business plans (Appendix 5.3 shows the metrics used to measure the impact of the Venture Clubs for students, including an increase in hope, self esteem and locus of control, with a small business being the final outcome; refer to Lefcourt, 1976; Lopez, Ciarlelli, Stone, & Wyatt, 2000; Snyder, 2002 for a theoretical framework of hope and locus of control). A principle difference with the Compass Clubs is that instead of being taught by mentors, these classes are engaged by faculty from a variety of business schools. A goal is that, in time, programs will be scaled-up to serve low-income and underprivileged individuals around the world, be it Indonesia, Kenya, or even the US.

Entrepreneurs start with their means

Mavrinac is from New England, USA. A tall, lanky brunette of 55 years, she is constantly on the move. While she had a desk at aidha, it was rarely used, as she liked to hold her meetings sitting on the steps outside the schoolhouse, smoking with one hand, gesticulating animatedly with the other. As noted above, aidha's roots lie in a project developed by UNIFEM in Singapore. Intrigued by the results of the study, and taken by the idea that if one could change behaviors, one could change the future of migrant families, Mavrinac resigned from her role as faculty member with Insead and launched aidha. She was encouraged to do so by the team at UNIFEM, and by her husband. Sarah explains the launch:

The reason I came into aidha was because the stars aligned in a particular way. I had a history in financial education, since I was teaching accounting, but I had become a reasonable expert in financial

education because I had launched four Citigroup-Insead education summits. In 2004 Citi came to Insead and said 'We are big believers in education and we want to partner with you to create the most prestigious summit in the world'. So Insead looked for a faculty sponsor, someone with a strong financial background, preferably a woman since the first summit would be around women. And since my office was just opposite the dean's, he thought of me. And we launched what was to become the largest summit in the field.

Citi then funded 750'000 dollars for the Financial Education Exchange (FINIDEX). I designed it. It was to serve the financial education community by putting on a platform what people had created. As a consequence of my involvement I began to feel I knew exactly what was happening in the financial education space.

I was then invited onto the board of UNIFEM in 2005 by Mellisa Kwee. She had launched the UNIFEM migrant worker program, trying to provide financial and entrepreneur training to migrants. When Mellisa took over as president, she and the board woke up to the fact that there were so many women from the developing world right here in Singapore. So they went to do some research to find out what their needs were. They expected it would be pay, emotional and physical abuse, etc. But the most important was around finances. These women said 'I hoped this move would mean a new life for me. But I have not saved at all. I wanted to be here for 2 years, but its been 16. So Mellisa worked with

Bahanihan (a Filipino organization) to develop a course, and ran the course from their center. They had a very traditional curriculum. It was successful but they were not making money, could not get volunteers, and it was taking too much management time. And the New York office of UNIFEM was saying they should not be doing direct service. So they had to spin it off. And I know what a good program should look like. So people said 'Sarah, go do it' and I said 'ok, I will'.

At this point in the venture, Mavrinac took stock of her means in terms of *who I am, what I know, and whom I know.*

Who I am: As an academic, Mavrinac believes in the potential impact that education can have in changing the future of individuals. Working on the UNIFEM study convinced her that education could lead to savings, changing the lives of migrant workers. In relation to her private life, in 2006 Mavrinac adopted a young girl from the city of Medan, Indonesia. She experienced firsthand the poverty of the village and the lack of opportunities for generating income. In regard to her work experience, Mavrinac worked with impoverished women in her capacity at UNIFEM, and at top business schools for over 20 years. Mavrinac says:

I had about five years experiencing working with domestic helpers. In truth, though, I didn't have any deep understanding of the migration experience or the poverty in which our students lived. I wasn't drawn to aid exclusively because it was financial education, but because it was with that population, which I admired. So the real motivation came thinking of the consequence of financial education for these amazing

women. They are standing up to circumstances that would beat most of us down.

This set of personal and professional experiences shaped Mavrinac's approach to the founding of aidha.

What I know: Mavrinac was relatively familiar with South East Asia, where she had lived for over seven years. In addition, she knew both the academic environment, having spent her entire career in academia, as well as holding an in-depth understanding of the domestic worker environment.

My academic experience was invaluable for multiple reasons. There is no way that I could have built aidha without it. But it wasn't just the experience alone. It was the 'branding' that came with that experience.

Having experience delivering courses at some of the world's best business schools gave me all the confidence in the world to DEVIATE from that method in the delivery of courses at aidha.

Whom I know: Mavrinac knows faculty around the world – from Europe, to the US to Asia; she is in touch with current and future potential students through UNIFEM and knows the social enterprise environment of the region and a number of important actors in that environment. In her words:

I think my having a degree from Harvard gave aidha a certain gravitas. And, I think that helped. As did the association with UNIFEM. And, the office location at 2 Nassim Road. Collectively

these three resources sent out a message that aidha was serious and capable and connected.

Mavrinac started small, running a money-management class out of the function room of the condominium where she lived, using her means to turn her venture into a reality. Her academic experience, contacts, previous work with migrants and even her position in Singapore (here, who I am, is also *an expat woman living in a condominium offering a common room which I can book to run the classes I have decided to offer*) are combined to launch the venture.

The young enterprise was soon offered the schoolhouse space on Nassim road. This stroke of good luck (what effectuation would term a contingency) can also be attributed to Mavrinac's means (in this case again, whom I know), as she was associated both with UNIFEM and with the Singapore Institute for International Affairs (SIIA), having worked with its founder, Simon Tay. It also dovetails with the partnership principle, as the launch of the venture would not have been possible without partners from the start. When asked to provide a hierarchy of her means, Mavrinac indicated that partnerships played a prominent role in the launch of the venture. The location was not something she just happened upon, but was suggested to her by the UNIFEM team, who rented offices in that space; and her friend, Simon Tay, who ran SIIA out of the same location, supported her application. This is often the case – typically, entrepreneurs' first partners are people they know, either directly or indirectly. Mavrinac herself summarizes the importance of her partnership with UNIFEM:

We were given \$16,000 in startup funds from UNIFEM; we had an association with UNIFEM (we were launched by UNIFEM); (eventually) an office shared with UNIFEM (at 2, Nassim Road); there was a corps of ex-UNIFEM volunteers who worked with me at the beginning, and the brand (mine AND UNIFEM's!) were important. The association with UNIFEM opened a lot of doors for me, as they were well known in the social sector in Singapore.

Pia Bruce, the executive director of UNIFEM Singapore and member of the founding team of aidha confirmed:

We were fully behind the launch of aidha. We just felt that it was better for the school to work independently from us, so that it could focus on its own mission. But we provided the seed funding.

Operating a schoolhouse had several advantages for the social enterprise: It offered a visual manifestation of aidha and made the school official while providing offices from which to conduct research, and which could be used as a learning lab. In addition, the location in the center of town, next to two prestigious institutes, was a sound marketing and branding tool. Moreover, the space served a community purpose – a safe place where the women could meet and discuss, sharing common concerns and learning from one another. Mavrinac² believed that: *Change happens person after person, destiny after destiny...what we want to give is not only education, it is empowerment... and aidha should also be a place where you can talk and share*

² Interview with Mavrinac, February 21, 2010.

concerns. Students often confirmed this perspective, stating that aidha gave them a safe place to come to.

By 2010, aidha employed 500 volunteers, working alternatively on Sundays, for a student population of 250, as described in Chapter 4. For ease of reference, Table 4.1, which describes the key staff at aidha, is replicated in Table 5.1 below.

Table 5.1. Key staff at aidha

Key Staff			
Key staff	Function	Nationality	With aidha since:
Sarah Mavrinac	Founder and President	American	2006
Veronica Gamez	Executive director	Mexican	2009
Jocelyn Jimenez	Student enrollment	Philippina	2009
Weiwin Chen	Accounting	Singaporean	2010
Audrey Wong	Office Manager	Singaporean	2011
Utkarsh Sharma	Support	Indian	2011
Saleemah Ismail	UnIfem support	Malay	2009
Vishrut Jain	Board member	Singaporean	2009
Claudine Lim	Board member	Singaporean	2009
Clarence Singam-Zhou	Board member	Singaporean	2009
Stowe Altutz	Communications	American	2006

Many of the first volunteers were staff from UNIFEM and ex-students of Mavrinac's from Insead, confirming the importance of the entrepreneur's *who I know* in the launch of the venture. Accordingly, it is proposed that:

Proposition 1a: *At launch of a new social enterprise, entrepreneurs begin by self-assessing their personal means (who I am, who I know, what I know) in order to form a basis from which to decide what structure a new social enterprise will take.*

Entrepreneurs assess their affordable loss rather than attempt to predict expected returns

Starting a venture has financial implications, both in terms of opportunity cost and financial cost of the launch of the venture. Mavrinac explains her thinking around the implications of no longer holding a faculty position at a prestigious school and instead launching a social enterprise with no foreseeable income:

I thought very seriously about the financial implications of this decision but I am very fortunate in having a husband who earns well. I think we have 'enough' ... whatever that means. It meant I could jump in full-time... which is really what aidha needed.

While aidha did receive SGD 16,000 in start-up funds, the money would run out quickly – especially once the social enterprise was given a location, which, while heavily subsidized, still cost SGD 4,900 a month. In addition, Mavrinac refused to compromise quality. For example, all material was printed in color and handed out in hard shell binders. Gamez often argued with her that this was an unnecessary cost, but Mavrinac wanted the students to receive similar quality to what they would receive at a top business school. Without a strong financial partner, and without increasing the price of the classes provided, this kind of decision meant it was extremely difficult for

the school to make money. Indeed, when asked whether she considered receiving any expected returns, Mavrinac added:

Yes, but those are hardly financial. I did think if I pulled it off I'd have more on my resume and might eventually be able to secure a leadership (dean's) position at a university somewhere. I also knew I would learn tremendously. I still think of running aidha as earning a second doctorate.

This line of reasoning reflects the attitude of the majority of aidha personnel. Volunteers tend, in particular, to think about affordable loss as well as opportunity cost rather than expected returns: *What else could I be doing with the time I am giving to this enterprise?* Veronica Gamez, the campus director for aidha Singapore, described her opportunity cost as the choice to move out of banking:

I wanted to leave Barclays and do something that would have an impact on the world. In the long run, I want to learn something that I can apply to my home country of Mexico. I knew I could learn that at aidha. As a single woman, I have no dependents and could afford to work at aidha without remuneration for about a year.

These choices have implications on the structure of the venture. Without significant start-up capital, aidha could not employ professional managers and instead had to rely solely on volunteers. The quality of the educational experience (and thus its cost) imposed by Mavrinac meant that the school only offered a few programs (they had neither the staff nor the money to run more). This also meant that a lot of management

time and energy was spent finding money. For example, the school convinced a few local companies to donate their old computers (including SAP), and then launched a computer-refurbishing program, whereby they worked with Microsoft and volunteer engineers to repair the laptops and sell them. The program generated a little income but consumed a lot of time that could have better been spent elsewhere.

Nevertheless, the small school had big ambitions. aidha's 2015 goal is to enrich a million lives. For this to happen, the school will have to grow both its Compass Clubs and find partners for the Venture Clubs. Finding mentors for the Compass Clubs and training them is critical to the growth of the venture as this is the program that resonated best with corporations. Corporations have funds and can provide access to large numbers of migrants. Scaling the Venture Clubs would be possible only if a video version could be delivered.

Over and beyond issues around the scaling of programs was the issue of scaling the organization itself. For example, without a person dedicated to sales, leads were picked up but not necessarily followed through systematically and persistently. Without a person dedicated to fundraising, the approach was opportunistic and haphazard. Caille made the following assessment:

Its leaders have not been successful in ensuring the financial sustainability of the organisation (at least until June 2011, when I left aidha). Some opportunities have not been explored. Its leaders have also failed to nurture the network of volunteers that have come and gone. aidha created a lot of goodwill but, sadly, squandered much of it.

Funding was clearly an issue. Mavrinac and her team had never taken out a salary and the school ran on a thin breakeven between its costs and the fees paid by students (refer to appendix 5.4 for aidha's financial statements). Students paid SGD 120 per semester, but the real cost were closer to SGD 320. In the fall of 2010, programs were grouped into two streams and fees increased to SGD 250. Often employers paid for their employees. The fees covered operational costs (principally rent, the printing of material) but not salaries. Mavrinac notes:

We continue to look at things in terms of affordable loss. With the thinking of launching in Dubai, we look at the affordable loss. Its never NPV, but Can we realize a positive social consequence without breaking the bank? Can we afford it reasonably? Can we get away with this without spending too much?

This lack of funding was not sustainable if large-scale innovations were to be introduced and professional staff retained. Volunteers are a significant source of staffing but most joined aidha while they were on leave from their firms or taking a gap year. Other volunteers included expatriate spouses who often left the organization when they moved. This constant turnover jeopardized the sustainability of the school.

Means and affordable loss dovetail to impact the structure of the organization, influencing everything from who worked at aidha, to where the school was located, what and how many programs it could run, and even where graduation was held. Thus, it is proposed that:

Proposition 1b: *At launch of a new social enterprise, entrepreneurs begin by self-assessing their personal affordable loss (time, money, reputation, inter alia) in*

order to form a basis from which to decide what structure a new social enterprise will take.

Growing aidha: The Premise that Education is Expensive

Classical education is expensive and has a limited reach owing to a need to employ sound teaching faculty, constraining both the iterations of classes and student numbers. For the Venture Clubs, locating dedicated faculty willing to teach 14 consecutive Sundays posed a challenge. Setting a class size of no more than 25 students for any aidha course was another challenge. The school was running out of classroom space. And if finding faculty locally was potentially a manageable challenge, finding faculty on a global scale was almost impossible. In the fall of 2009, the team came up with the idea of a video version of the Venture Clubs, as a means of providing the entrepreneurship training via a mobile solution (videos could be uploaded on TVs, mobile phones, computer screens...). The video courses were divided into three sections: A typical problem faced by a small-scale entrepreneurial venture (the case study), a tool or practical solution explained by a leading faculty from a business school, and alternative solutions suggested by expert entrepreneurs who might have been faced with similar issues in their own businesses. The video format meant that facilitators (as opposed to faculty) could teach classes. The search for partners and committed stakeholders began in earnest.

As was noted earlier when discussing the access to schoolhouse facilities, partnerships with committed stakeholders is closely associated with entrepreneurs' means. When asked about committed stakeholders and partners at the launch of the venture, and whom Mavrillac might have convinced to work with her, she said:

UNIFEM...sort of. Actually, it was less with UNIFEM per se than with the UNIFEM manager who worked devotedly to help aidha grow. But when she left, the aidha/UNIFEM relationship faltered. But she is quick to add: This was all at the very beginning. Since then we have not had significant institutional partners. This being said, Insead was clearly an important partner.

I knew the Insead community well. That was huge. Everybody went out of their way to help me with this. The tsunami hit Christmas 2004, and for some reason I became the person to go to. Helmut Shulte (Ndlr: dean of Insead) was on a boat in Phuket when it happened and he wanted the Insead community to respond and I became the point person for all the donations that came in. So I became an emblem of Insead's charitable activity. And I was also asked to launch the Women's forum at Insead. So, when I asked for help for aidha, people showed up, volunteered, gave me introductions, resources, etc.

Over the course of 2010, aidha looked increasingly into building partnerships with different stakeholders. Not only was money needed to launch the video version of the Venture Clubs, but also partners were needed for the daily operation of the schoolhouse. By early 2010, a majority of volunteers had been working without salaries for at least two years, and the strain was starting to show. The school needed to find both partners who could fund operations as well as partners who could help them reach out to a wider community of migrant workers. Vishrut Jain, a member of aidha's board, shared his concern: *aidha needs to grow beyond what Sarah has been able to do*

on her own. It needs big partners – a corporation, a venture philanthropist – that can take it to the next level.

In reality, aidha has benefited from a number of partnerships: The school's volunteers are partners, as is Insead who lends its premises for graduation ceremonies, adding prestige to the event. Through one of the team members, Mavrinac managed to find a professional film crew that was willing to develop a demo of the Venture Clubs pro bono. Another successful partnership was with the Fraser family, who agreed to pay the salary of the schoolhouse director Veronica Gamez for a 12-month period. Both partnerships happened over the course of 2010 and helped sustain the school. SP Jain, a business school based in Singapore, also became an important partner in the development of material for videos. They also ran computer classes on the weekends, and helped the team with tasks such as setting up new software or cleaning up databases. Together, the film crew and the students allowed aidha to go much further in the realization of its video entrepreneurship course than it could have had it been limited to its own resources.

A number of corporations and partners played sporadic roles, for example in advising the school or participating in short consulting jobs around marketing, strategy, and funding. The idea of working with corporate partners emerged in the late spring of 2010. The idea was to engage multinationals in partnerships that would run throughout the year, around the world. The idea was born out of the realization that in Singapore alone, Exxon-Mobil employed over 10,000 migrant workers. Hotels, restaurants, and construction companies also employed migrant workforces. Access to this population, composed primarily of men, would help expand aidha's reach across both genders and borders. Tables 5.2 and 5.3 summarize the different partnerships the school engaged in

from December 2009 to July 2011, including the types of partnerships as well as outcomes associated with these partnerships. Respectively, Table 5.2 describes the successful partnerships and Table 5.3 the unsuccessful partnerships.

Table 5.2 Successful partnerships between aidha and external stakeholders, December 2009 to July 2011: source of relationship, opportunity type, process, and outcome

Name of Partner	Date of first contact	Source of relationship	Opportunity type	Process	Outcome
A delegation from Zimbabwe including deputy prime minister	April 2011	They had heard about aidha through the Schwab Foundation and were interested in economic empowerment for women in their country.	Share the Compass Club and Venture Club model with another community, growing impact.	The group had gone to Malaysia, India and had met with SEWA to learn how other countries and organizations were working on empowering women. They chose the Compass Club model as the most suitable to their constituency.	In 2011, aidha was informed that the delegation had launched a version of the Compass Clubs.
Daniel Fraser	December 2010	Personal contact of a member of the management team	Secure funding. The philanthropist agreed to pay the salary of the schoolhouse director, Veronica Gamez, for a period of 12 months.	The two groups met and a 12 month contract signed. The money would serve as a bridge loan until the social enterprise was able to fund salaries on its own.	Partnership ended after 12 months.
Oliver Wyman	September 2010	Personal contact of a member of the management team	Their CEO was looking for CSR outreach for his consultants.	Volunteers signed up to teach and provide back office support	They came to teach classes on Sundays and provided much needed back office and admin support.
SP Jain	May 2010	Personal contact of a member of the management team	Build partnerships with local actors to support growth of the school	aidha met the head of the school and secured a long term relationship between students looking for social entrepreneurship experience and the needs of aidha.	The business school lent aidha students who did research into micro-enterprises in Singapore, generating over 100 leads and selecting stories based on the curriculum needs and the best story tellers. They also ran computer classes on the weekend, cleaned up databases, ran errands.

Table 5.3 Unsuccessful partnerships between aidha and external stakeholders, December 2009 to July 2011: source of relationship, opportunity type, process, and outcome

Name of Partner	Date of first contact	Source of relationship	Opportunity type	Process	Outcome
Barclays	March 2011	Personal contact of a member of the management team	Barclays had raised funds that they wanted to invest in a social enterprise working with women	Veronica Gamez met with the bank's CSR team	No ne.
Firmenich.	October 2010	Personal contact of a member of the management team	Delivering education, with a similar set-up as Nike	aidha designed a specific proposal for the company, based on their inputs and their needs. But the final say was to come from the head of the factories, whose teams would be sent for the training and who therefore had to approve the time they were taking off for the weekly class.	The head of the factories in Asia believed that it was more important to focus on safety and hygiene than on freedom from financial concerns.
Global Business School Network (GBSN)	June 2011	Personal contact of a member of the management team	Invited aidha to attend the annual conference in Washington as a way of growing the visibility of aidha and securing funding from US donors.	The school attempted to secure funding for the trip but was unable to do so.	No outcome.
Lichtenstein Global Trust (LGT)	March 2010	The firm came recommended by the Schwab foundation team who had met Mavrinac when she spoke at the World Economic Forum meeting in China in 2009.	Securing funding for growth	Interviews, meetings, and conversations continued for weeks while the LGT undertook due diligence. The team expressed keen interest in aidha and mentioned that out of the 600 social enterprises they had done due diligence with, aidha was the most professionally run.	The partnership did not happen because the time requirements and the requests made by the proposed partner were not compatible with a small enterprise.

Name of Partner	Date of first contact	Source of relationship	Opportunity type	Process	Outcome
Nike.	April 2010	Personal contact of a member of the management team	Delivering education. The Nike China team was eager to discuss a potential partnership in which Nike employees would serve as mentors and teach staff and family the importance of family savings and investment into income generating assets.	Nike and aidha engaged in numerous conversations on the implementation of the idea. A proposal was drafted including educating Nike tutors who would then teach others internally.	Unfortunately, as the conversations evolved, the Nike team went through a transition and the conversation never resumed.
OMG.	August 2010	Personal contact of a member of the management team	Securing funding. OMG worked with a large retailer in the Philippines who wanted to launch a prepaid card that customers could only use to foodstuff, preventing remittances from being used to buy alcohol and cigarettes. This is a real problem for migrant women abroad who often have very little control over how the money they send home is used. In exchange to access to aidha's students, the firm would provide funding for growth.	aidha provided access to its student pool so that the firm could ask the Filipino students what type of products they would prefer to see on the list of those accessible to the caretaker with the card.	The partnership did not evolve beyond the conversations between the retailer and aidha students.
Orient Global, a subsidiary of Richard Chandler Corporation	March 2010	Personal contact of a member of the management team	Securing Funding. Chandler had set up a private investment institution with the aim of "building sustainable prosperity through investments in financial and social enterprises". With their focus on education and their long experience in Asia, this match seemed propitious.	Teams at aidha and Orient Global collaborated on developing a grant proposal. Despite securing an SGD 250'000 grant, a week following announcement of success saw the person who was to sign off on the check was asked to leave the company, replaced by friend of the owner	The new head of investments decided not to engage in any of the ventures his predecessor had been involved with and the grant to aidha was cancelled, on grounds that it was not in line with the firm's new strategy.
Rhodia	August 2010	Personal contact of a member of the management team	approached aidha around a potential partnership in China. Rhodia owned 13 schools located around their chemical	The firm wanted the partnership to start with using aidha's children's books at an event during the World Fair. Copyright would be	These conditions made it less appealing for aidha as the school really

Name of Partner	Date of first contact	Source of relationship	Opportunity type	Process	Outcome
			plants and wanted to better serve the community.	transferred from aidha to Rhodia and more specifically to the head of CSR and her publishing house. aidha would receive 20% of the proceeds, the company would keep the rest. aidha would receive nothing on the first 18'000 copies.	wanted to reach out to the community through education, and the books, while potentially good branding, were of no use unless they led to education. There was also the issue of association with a chemicals company. Aidha decided to turn down the partnership proposal

As can be seen from Table 5.3, a majority of partnership attempts failed, with only a few leading to short-term benefits (i.e., Fraser, SP Jain, the film crew, Wyman, while the Zimbabwe partnership can be seen as an example of positive influence without, however, having a direct impact on the social enterprise). The successful partnerships did not add to the financial means of the venture: they primarily provided personnel and infrastructure (in the shape of computers, desks, etc.). The exceptions are the 12-month partnership with the Frazer family and the long-term relationship with Insead. There were a number of reasons for aidha's shortcomings in building strong, lasting partnerships: Most organizations and potential partners (such as microfinance institutions) preferred to sell their own goods and services, and had no reason to promote aidha. While it did appear to make sense to deliver content through microfinance institutions with existing organizations on the ground, along the lines of a book-club-type delivery, the problem lay with convincing these partners to sell someone else's products. In addition, aidha had an uneasy relationship with microfinance, as aidha encouraged savings over borrowing. As for corporations, such as Firmenich or Rhodia, they were not necessarily preoccupied with providing savings education to their workforce, even less so entrepreneurial skills. In a large part of Asia, safety and health were still the primary concern of factories. It was also difficult for the school to reach out to philanthropists, such as Richard Chandler, and philanthropic organizations such as the Lichtenstein Global Trust. Most international organizations or foreign donors saw aidha as residing in a developed country, which precluded it from their developing-country focus, while local philanthropists were keen to help their own citizens rather than migrant populations. Finally, the approach to potential partners was completely haphazard, based solely on personal contacts and on the founder's ability to

convince others to work with her (be it partners or volunteers). Caille confirmed this view when she said:

I think that she (Sarah) relied more on her own personal abilities than on her network. If she did rely on the latter, it was without any strong long-term vision. It seemed very much based on: What are the current needs and how can I meet them now?

The school continued to reach out incessantly, to Philip Morris, Tetra Pak, the Foundation for Cooperation Development, International Enterprise Singapore, Qi Global, NTUC, Dupont, the Singapore Compact for CSR, and Darul Arqam. Accordingly, it is proposed that:

Proposition 2: *Decisions regarding what structure a new social enterprise will take influence the quality and type of partnerships with individuals or organizations a social entrepreneur knows.*

While it appeared that a number of partnerships had been critical in the launch of the school (e.g., UNIFEM provided cash for the launch of aidha, and the film crew provided it with a video for free), it seemed that later on, aidha failed to find an organization or individual that would and could support its growth. Obtaining pre-commitments from key stakeholders helped reduce uncertainty in the early stages of creating the social enterprise. Partners bring additional resources to ventures that allow them to grow without significant cash demands. In turn, partnerships inform, or at least influence, the future of a venture. Over time, what is a one-way causal relation between structure and partners might become a mutual interaction or a non-recursive relationship (Murray, 1971). That is, the nature of the relationship changes with the age

of the venture and the number and types of partners that join a social enterprise. New partners influence the structure of a social enterprise by bringing new means and changing the affordable loss threshold of a social entrepreneur, in turn the evolving structure influences the types of partners that join the venture. Had aidha not found a partner for its videos, it would most probably have had to drop the idea and gone looking for another option. Similarly, had partners not provided access to a schoolhouse, the school might well have taken another shape and form. However, in looking at the type of partnerships aidha developed, an argument can be made that the founder worked with partners but failed to find committed stakeholders. It can be argued that this lack of committed stakeholders is one of the greatest weaknesses of aidha, and might potentially lead to its downfall. Mavrinac herself makes the following assessment:

The partners are critical for our long-term growth. And I think our mistake was that even internally I did not build partnerships. For example, when Jack Sim (Ndrl: founder of the World Toilet Organization) got money from the Gates Foundation it revolutionized his world, because now the money comes to him. It wasn't the biggest gift, but it was the one that put him on the map.

Thus, it is proposed that:

Proposition 3a: *The quality and type of partnerships with individuals or organizations a social entrepreneur knows contribute to the development of new means for social entrepreneurs.*

And:

Proposition 3b: The quality and type of new means available to a social entrepreneur augment personal means available to social entrepreneurs.

Sustaining Growth: Entrepreneurs Embrace Contingencies

Contingencies can be regarded as the positive and negative surprises that founders encounter. Entrepreneurs can derive benefits from acknowledging and appropriating accidental events, meetings, and information emanating from their environment. In the social venture sphere, contingencies or surprises are a reality of doing business – both positive surprises, in the form, for example, of unexpected benefactors and other committed stakeholders, or negative contingencies, for example in the case of natural disasters that can wipe out years of effort. aidha was no exception: when thinking about surprises that influenced the venture, Mavrinac says:

There have been so many ‘surprises’ along the way – not all of them pleasant. The first surprise to truly impact me was Winona’s move to Canada. She was my right hand for the first year of aidha’s life. I thought we would fold when she left – I wasn’t at all sure that I could manage on my own. Now I realize however that aidha exists independently of any individual – including me. And I think that’s tremendous.

Other, quite unhappy, surprises include: the Rhodia computer refurbishing debacle, the venture philanthropy disappointment, the recent PPIS (Persatuan Pemuda Islam Singapura) heartbreak, and the internal HR ‘drama’ that unfolded over the past year. All of these

disappointments have resulted in aidha becoming more and more 'realistic' and independent. I cannot get too excited about any opportunity now. Nor will we ever again put all our eggs into one basket... or one human being. There must be a formal process, due diligence, and a diversified revenue stream that will allow us to survive without.

Much more pleasant surprises included the various awards and publicity bits that we received (e.g., the International Woman of the Year Award, the Schwab Award, the article on the front page of the Straits Times, etc.).

How did we deal with these surprises? With patience and a commitment simply to moving forward. Good or bad, you have to pace yourself and keep going. Did they encourage a change in plan? Not really, in fact, they have simply affirmed for me the importance of committing to a strategy and implementing it fully.

Mavrinac talks about *not putting all one's eggs into the same basket*. When entrepreneurs base all of their calculations on expected returns from a given goal, it is extremely difficult to reconsider and change course. But Mavrinac was committed to a strategy, not a specific goal: provide women with financial and entrepreneurial education as a way of helping them out of extreme poverty. But the *how* can take many forms: classrooms, videos, franchises, through governments, schools inter alia. This commitment to a strategy allowed her to embrace surprises and work with them. Her relationship with Elim Chew, the founder of 77th Street, is an example of a positive

‘accidental meeting’, and demonstrates the power of embracing surprises as an entrepreneur:

The other person who came in was Elim Chew. And we had a conversation about critical success factors and social entrepreneurship. And she and I just clicked. She was on the board of SIP (Social Innovation Park) who was working with Schwab foundation. They were looking for nominees, and Elim nominated me. We did not win that year, but the following year, 2009, we won. That was probably the most pivotal event for aidha. It said to the Singapore community ‘aidha is significant’. It gave us gravitas, that stamp of approval. We had not gotten the financial support of the Singapore community because we were working with migrants, so this said ‘We did not give you money, but we can give you prestige’. This was also important for the staff. Because it gave the school prominence. It gave us press and publicity, opportunities to appear on radio, publish. It also gave me the networking opportunity at the various meetings. I found mentors that I could speak with and learn from; but also potential advocates.

Other examples include a meeting with a Neurolinguistic Programming (NLP) instructor that convinced Mavrincac to change the way courses were taught to include elements of the NLP method; she welcomed the opportunity to hold graduation at Insead or the invitation of the American Club to hold classes in their auditorium, and she pursued every philanthropic lead that emerged from her talking at the World Economic Forum. Interestingly, neither the negative, nor the positive contingencies influenced her

course, but rather added to the pool of potential partners to the venture and, in some cases, to her means. Accordingly, it is proposed that:

***Proposition 4:** Contingencies moderate associations between the quality and type of partnerships with individuals or organizations a social entrepreneur knows and the sustainability of a social enterprise.*

Epilogue

aidha grew organically, out of the determination of its founder to make a difference. From those first classes taught in Mavrinac's condominium to the schoolhouse on Nassim road, each step was the result of Mavrinac's interaction with supporters, partners, and believers. Her vision and determination were critical to the organization, with the downside that she had difficulty delegating and trusting others to do the right thing. This need to control also made her very cautious when approaching partners, fearing that they might change the DNA of the social enterprise. The extent of her control over the organization however, made it an ideal candidate for the case study, as she made all the critical decisions.

For family reasons associated with her husband's career, Mavrinac relocated to Abu Dhabi in the summer of 2011. This represented a traumatic moment in the life of the school. Change is always a disrupter to organizations. The strategy was to present the change not as a change in leadership but an observation that aidha was growing. Change became: Mavrinac is moving but is still the boss; Gamez commenced managing the schoolhouse in Singapore; and the good news is that aidha is growing and expanding.

In reality, Mavrinac's move profoundly scarred the organization, with individuals taking sides. In losing Mavrinac, the Singapore campus lost its visionary and charismatic leader, the driving force behind the organization. In all aspects, Mavrinac was *aidha* – as is the case with many founders – they embody, personify their organizations, and are the driving force behind its success or failure: examples include larger than life personalities such as Steve Jobs, Muhammad Yunus, Richard Branson, or Rupert Murdoch. Caille confirmed this position:

She relied a lot on her ability to convince people of the validity of her vision for aidha. She had a strong power of persuasion and managed to infuse enthusiasm in volunteers who supported aidha.

Thus it is proposed that:

Proposition 5: *The quality and type of partnerships with individuals or organizations a social entrepreneur knows influence the sustainability of a social enterprise.*

Conclusion

This case study examines the decision-making processes of social entrepreneurs within the framework of effectuation theory. Effectuation has demonstrated to be an effective lens through which to view social entrepreneurship. Analysis of the present case led to the formulation of seven propositions, culminating in the development of a conceptual model of social enterprise creation (Figure 5.2).

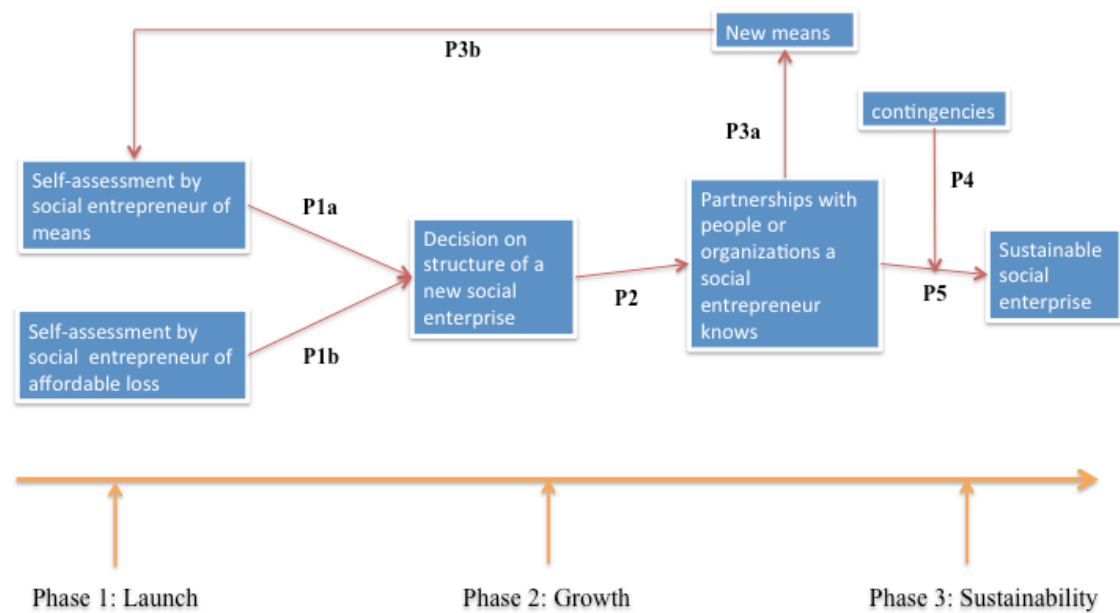


Figure 5.2 A conceptual model of social enterprise venture creation

Figure 5.2 shows the key factors that impact the decisions made by founders as well as those influencing the sustainability of social enterprises. At the launch, social entrepreneurs consciously, or unconsciously, take stock of their means. This includes an assessment of their affordable loss (how long can I run this venture for with currently available funds? What risk is it to my reputation? How much risk can I take? Who do I know that can help me launch this venture?). This assessment influences the structure of the venture: whether it will be a small garage venture launched on the side of an existing job, or a large, fully-fledged social enterprise. During phases of growth, social entrepreneurs seek partners to help them achieve their mission. These partners – which include both individuals or organizations which an entrepreneur might know, as well as others encountered along the way and which are as yet unknown – add their means to the venture, and can influence the mission of a social enterprise. Partners contribute to the sustainability of the venture through the means they bring with them, adding to the means of social entrepreneurs, ultimately changing their affordable loss

threshold. Finally, contingencies, both positive and negative, can have a moderating effect on the sustainability of the social enterprise. aidha illustrated this cycle of venture creation. One of Mavrinac's personal means at the launch of the venture was her association with Insead, and more specifically with Professor Philip Anderson, the head of the entrepreneurship faculty at the business school, the partnership of which enabled aidha to host graduation ceremonies for 250 graduands annually in the Insead auditorium. aidha's schoolhouse could hold only a maximum of 60 students. This partnership allowed her to solve a problem while adding prestige to her event, in such a way that the partnership added to her means and to the sustainability of the venture in a number of ways: providing location, adding gravitas and signaling that the community of other academic institutions regarded aidha with respect and that it was here to stay for the long term.

Table 5.4 provides a formal definition of all key constructs comprising a conceptual model of social enterprise venture creation.

Table 5.4 Formal definition of all key constructs compromising a conceptual model of social enterprise venture creation.

Proposition	Definition	Measures (operationalization)
<p>Proposition 1a: <i>At launch of a new social enterprise, entrepreneurs begin by self-assessing their personal means (who I am, who I know, what I know) in order to form a basis from which to decide what structure a new social enterprise will take.</i></p>	<p>Subjective and personal measure of what one has learnt up to that point in time through both professional and private experiences; a problem one wants to solve, a passion, and the people whom you think can help you achieve your goal.</p>	<p>Who you are: tastes, values, preference, passions, hobbies, interests</p> <p>What you know: your prior knowledge and education, knowledge from your job, knowledge from your life, informal learning</p> <p>Whom you know: your rolodex, classmates, alumni, family, friends, extended family</p>
<p>Proposition 1b: <i>At launch of a new social enterprise, entrepreneurs begin by self-assessing their personal affordable loss (time, money, reputation, inter alia) in order to form a basis from which to decide what structure a new social enterprise will take.</i></p>	<p>Depends on the individual and life stage and includes property, credit cards accounts, loans, and windfalls,</p> <p>Whether the venture is in addition to a full-time job; part of a sabbatical deal, or whether the social entrepreneur views it as a full-time job.</p> <p>Calculations of how much time can be committed to volunteering as opposed to making a living,</p> <ul style="list-style-type: none"> • Credibility in the market place as perceived by the social entrepreneur 	<ul style="list-style-type: none"> • How much are you willing to lose? Time, Money, Reputation • How much do you really need?

Proposition	Definition	Measures (operationalization)
<p>Proposition 2: <i>Decisions regarding what structure a new social enterprise will take influence the quality and type of partnerships with individuals or organizations a social entrepreneur knows.</i></p>	<p>The quality of these partnerships depends on the nature of the relationship, the expectations on either side, the commitment of the partner to the venture, its durability over time</p> <p>Structure refers to the type of social enterprise: is it a small garage type operation? a registered charity? A small outfit with office space and volunteers or paid staff?</p>	<p>Types of partners: financial, expertise and door opener</p>
<p>Proposition 3a: <i>The quality and type of partnerships with individuals or organizations a social entrepreneur knows contribute to the development of new means for social entrepreneurs.</i></p>	<p>Refer back to Proposition 1a for the types of means partners will bring into the venture.</p>	<p>See Proposition 2</p>
<p>Proposition 4: <i>Contingencies moderate associations between the quality and type of partnerships with individuals or organizations a social entrepreneur knows and the sustainability of a social enterprise.</i></p>	<p>Measures are qualitative and are collected through interviews and observations of how a social entrepreneur reacts to these contingencies.</p>	<p>Types of Contingencies: unexpected information, unexpected meetings, unexpected events.</p>
<p>Proposition 5: <i>The quality and type of partnerships with individuals or organizations a social entrepreneur knows or does not yet know influence the sustainability of a social enterprise.</i></p>	<p>Measured in terms of time and positive impact of the partnership(s) on a social enterprise.</p>	<p>Longevity and commitment of partners to the venture.</p>

Disappointed with the direction the school was taking, Mavrinac resigned from aidha in the summer of 2012. aidha relocated to a different building on the outskirts of Singapore, and successfully continued to run the existing Compass Clubs, Leadership Clubs and computer classes. Venture clubs were no longer offered, as the faculty who had taught the course had left, and funding for the video version was yet to be found. Instead, entrepreneurship was taught in addition to the other classes, providing a basic small business management foundation. Notwithstanding, Barclays continues to be a strong supporter, and enrollment stands at 350 students. However, aidha has not significantly grown since its inception in 2006, and its sustainability appears to depend on its ability to find a committed partner that can help the enterprise increase its reach.

Chapter 6

Discussion

To develop social enterprises, you need to develop social entrepreneurs...and expose them to entrepreneurial role models, case studies, and experiential learning opportunities... (Kempner, 2011)

Chapter 6 opens with a brief restatement of the objectives of this thesis and principal findings. This chapter is divided into two main sections. The first segment discusses implications of findings from the case study and the resulting framework. The framework proposes that specific components of effectuation play a significant role in the sustainability of social enterprises. In particular, the importance of committed stakeholders and partners is highlighted. The second part discusses implications of findings for research, policy and practice. Finally, a brief concluding section provides directions for future research.

A Model of Social Enterprise Sustainability

The aim of the current thesis is to identify the practical, organizational considerations, and implications of a theory, namely effectuation, developed principally for commercial new venture creation to the social entrepreneurship sector. An underlying premise is that social enterprises are but one form of new venture, their specificity lying in the observation that social entrepreneurs work to address existing problems as opposed to creating new markets (Chell, 2007; Dees, 2001). Extant

research and pertinent literature focuses on defining social enterprises, understanding funding models, and determining measures for return on investment (Hockerts, 2006; Lehner & Kansikas, 2011; Mair & Marti, 2006). However, very little research has been undertaken on identifying those factors, such as decision-making processes, that influence the launch and sustainability of social ventures.

Findings of the present thesis indicate that effectuation is a useful tool with which to assess the decision-making processes of social entrepreneurs and that the various elements that compose effectuation logic are important in understanding the determining factors underlying the sustainability of social enterprises. As such, this thesis extends the use of the effectuation framework from commercial entrepreneurship to the social entrepreneurship domain.

Building on existing entrepreneurship literature

The early work on social enterprises naturally followed from investigation into entrepreneurship, which had itself pursued diverse paths. Initially, research looked at *who* entrepreneurs were (Begley, 1987; Gartner, 1998; Naffziger, 1995; Shaver & Scott, 1991) and whether venture creation could be correlated with specific personality traits. Research then shifted to the *what*, in an attempt to understand the interaction between environments, context, past experiences and new venture creation (Chell, 1985; Giddens, 1984). Finally, research looked at the *how* of entrepreneurial processes (Kirzner, 1982; Stevenson & Jarillo, 1990; Venkataraman, 1990). This school of thought proposed that entrepreneurs act without limitation from the resources available to them (Stevenson & Jarillo, 1990). Accordingly, how entrepreneurs access resources became an important part of the work on new venture creation. Dees (2001) suggested

that entrepreneurs pursue opportunities in an innovative manner while accessing resources that they might not yet possess, in order to create value, while Hart (1995) proposed that some resources were unique to an individual (the *means* of effectuation). Indeed, effectual social entrepreneurs are seen as creating and shaping a workable solution to a social need with the resources at hand (Corner & Ho, 2009) rather than searching for the ideal resources to deliver on a given mission. As a result, entrepreneurs are sometimes portrayed as *bricoleurs* (French for an individual who makes do with what s/he has on hand). Levi-Strauss first coined the term in 1967, using it interchangeably with resourcefulness. Bricolage works well with the notion that entrepreneurs recombine existing resources to accomplish new or novel purposes (Baker & Nelson, 2005). What a bricoleur has at hand may not be exactly what is needed to achieve the desired outcome, but between existing resources and acquired resources, a workable solution is typically found. The concept of bricolage also carries with it the idea that entrepreneurs refuse to be constrained by existing limitations, which is a hallmark of social entrepreneurs, who are often determined to change the status quo (Archer, Baker, & Mauer, 2009). Indeed, Elkington and Hartigan (2009) noted that *Social and environmental entrepreneurs share the same characteristics as all entrepreneurs – namely, they are innovative, resourceful, practical and opportunistic* (p. 3). Resources are both more readily accessible (in the form of grants) and scarcer (difficult access to traditional financial markets) for social entrepreneurs than for other, commercial entrepreneurs (Rotemberg-Shir & Wennberg, 2011). This is where the proposed model that emerges from the present thesis extends the work of researchers (e.g., Stevenson & Jarillo, 1990; Venkataraman, 1990) and theorists (e.g., Dees, 2001; Hart, et al., 1996, Kirzner, 1982) by suggesting that the most critical resource for social

entrepreneurs is not their means, but their partners. In line with Stevenson and Jarillo (1990), and Dees (2001), it does not matter whether entrepreneurs own, need to find ways of gaining access to, or even haphazardly combine existing resources (Levi-Strauss, 1967). According to the Social Enterprise Alliance (SEA, 2006), *social entrepreneurship is the art of persistently and creatively leveraging resources to capitalise upon marketplace opportunities in order to achieve sustainable social change*. Elkington and Hartigan (2009) further proposed that social entrepreneurs use different strategies to access funding, focusing primarily on philanthropists and grants, using collaborations (as opposed to competition) and partnerships to, in effect, add to their means. None of these exist without stakeholders committing to the venture in some shape or form.

Developing a framework for social enterprise creation

Effectuation heuristics allows us to look at the decision-making process of new ventures and understand it as a set of skills that can be learnt. An interesting question is whether this set of principles is valid for different forms of new ventures. An in-depth examination of the data to emerge from the case study culminated in unexpectedly high levels of similarities between what is reported entrepreneurs from the for-profit world do, and what social entrepreneurs do when launching a new venture.

Analysis of the present case (Chapter 5) led to the formulation of seven propositions, culminating in the development of a conceptual model of social enterprise creation. These propositions postulate that:

- At launch of a new social enterprise, entrepreneurs begin by self-assessing their personal means (who I am, who I know, what I know) in order to

form a basis from which to decide what structure a new social enterprise will take;

- At launch of a new social enterprise, entrepreneurs begin by self-assessing their personal affordable loss (time, money, reputation, inter alia) in order to form a basis from which to decide what structure a new social enterprise will take;
- Decisions regarding what structure a new social enterprise will take influence the quality and type of partnerships with individuals or organizations a social entrepreneur knows;
- The quality and type of partnerships with individuals or organizations a social entrepreneur knows contribute to the development of new means for social entrepreneurs
- The quality and type of new means available to a social entrepreneur augment personal means.
- Contingencies moderate associations between the quality and type of partnerships with individuals or organizations a social entrepreneur knows and the sustainability of a social enterprise;
- The quality and type of partnerships with individuals or organizations a social entrepreneur knows influence the sustainability of a social enterprise.

The seven propositions form the basis of a framework for social venture creation, building on the new venture creation model described in the effectuation literature (Read et al., 2011).

Effectuation has demonstrated to be an effective lens through which to view social entrepreneurship. The aidha case study supports the notion that social entrepreneurs assess their personal means and affordable loss at the start of a venture, prior to launch. This assessment determines the type of venture a social entrepreneur can launch, the time span within which an entrepreneur needs to act to launch a venture, and how long the venture is sustainable on personal means. The current research shows that when entrepreneurs eschew the principles of effectuation, the likelihood of success is impacted. This finding is clearly demonstrated by aidha's incapacity to build sustainable partnerships and bring on board committed stakeholders at critical junctures in the enterprise's development. This observation means that not only are each of the principles important, but also, that the factors comprising the process of effectuation work together as a gestalt: It is not good enough to think in terms of affordable loss, for example, and not build strong partnerships, or vice versa.

The current thesis further demonstrates that, to grow social enterprises into successful and sustainable ventures, social entrepreneurs need to enter into partnerships and find committed stakeholders. While the importance of partnerships in the new venture creation value chain is not explicitly singled out in the effectuation literature, its pivotal role in the sustainability of ventures becomes clear when looking at the creation and growth of social enterprises. Social enterprises need to be able to attract partners, thereby confirming their (perceived) value to partners who might choose to commit. While it is true that social entrepreneurs will assess their means and think about affordable loss before starting, and while it is also true that the amount of funds and the

means available to social entrepreneurs help, it is the partnerships that will make a social venture sustainable: In the case of aidha, its inability to build strong partnerships led to mitigated success for the venture.

To some extent, the role played by partnerships can be likened to the mentor/protector or philanthropist role in history – partners help entrepreneurs add to their means, extending the limit of their affordable loss, increasing their network and knowledge. Because social entrepreneurs work to resolve social issues, they need strong partners to help them deliver solutions that impact people, governments, and organizations. Social entrepreneurs often need to tread a careful line (especially when dealing with social issues that can be perceived as embarrassing to a government), and to do that successfully, they need committed stakeholders. In some cases, partners can be governments, in others, an organization that promotes the development of social enterprises. Without support from committed stakeholders, a social enterprise will have only a minimal impact or fail to survive. By understanding the importance of partnerships, social entrepreneurs might be able to gain a greater appreciation of how to better spend their limited resources (including time) on what may have the greatest impact on sustainability, than otherwise.

Going beyond the current thesis

The notion that partnerships are critical to the success of social enterprises can be extended beyond the context of this thesis. Indeed, partnerships are critical to our efforts in developing sustainable solutions to many of the world's most pressing problems. One such area is education in entrepreneurship (Anderson-Macdonald, Chandy, & Zia, 2012). There are significant challenges in entrepreneurship at the

bottom of the pyramid. To date, much of the focus has been around providing access to funds, and the impact of this access to financial capital is well documented (Banerjee & Duflo, 2008; De Mel, McKenzie & Woodruff, 2008; Dupas & Robinson, 2010:33). However, empirical research gathered over the previous 20 years suggests that microfinance solutions alone cannot help firms grow (Banerjee, 1984; Schoar, 2010). Micro-entrepreneurs need more than money, they need education, and more specifically, business education (Schoar, 2010). Yet, very little research has been done in this area to date (Anderson-Macdonald et al., 2012) with only one published study looking at the impact of improving managerial capital (as opposed to financial capital) on small and micro-entrepreneurs (Karlan & Valdivia, 2011). Clearly, providing microcredits is not a panacea against poverty.

Then again, nor is entrepreneurship, at least not in its micro-entrepreneurship form. It is easy to overlook the challenges faced by entrepreneurship in emerging markets (Anderson-Macdonald et al., 2012; Banerjee & Duflo, 2007; Prahalad, 2005). Many micro-enterprises remain just that: a small business that employs a single individual, without ever growing into a larger business that could employ several family members and move individuals from the brink of poverty to sustainable income. Most of these businesses are the result of a survival strategy: needs-based entrepreneurship versus opportunity-driven entrepreneurship, propelled by the necessity to make a living and an inability to find work in the formal sector (Tokman, 2007). The businesses thus launched remain small mom&pop stores: Internet cafés, convenience shops, hairdressers, home rice mills.

The answer, as in many cases, is probably a combination of all of the above: microfinance to provide funding, entrepreneurship education, along the lines of that

provided by aidha, to support the development of managerial capital (Anderson-Macdonald et al., 2012; Bruhn & Zia, 2011) and the development of a strong network of partners. Here the idea of partnerships works at different levels: A network of social enterprise partners each providing one piece of the jigsaw-like ecosystem that supports entrepreneurship in emerging economies; partnerships with government bodies to provide a regulatory framework enabling entrepreneurship; education in entrepreneurship starting with school; as well as partnerships among individuals attempting to launch small businesses. One of the strengths of aidha was the fact that it partnered with its students, making them engaged actors in their own success. This model can be reproduced throughout the ecosystem, allowing the development of a strong network from which budding entrepreneurs can access needed resources: financial capital, managerial capital and social capital.

Limitations

The significance of any study is always a critical question. According to Corbin and Strauss (1990), the real test is whether an investigation will stimulate further studies. This assessment is difficult to determine until some time after the study is completed. Significance is also linked to a researcher's insights into what the data are really reflecting; however, no method can ensure that these are relevant, even though it can be argued that it is an obligation for researchers to act with integrity and honesty, and lay out limitations clearly, as well as future paths for research.

This thesis involves three principle limitations: Use of a single case; defining and operationalizing social entrepreneurship; and the use of effectuation as a theoretical framework. It was noted in Chapter 4 that how a researcher views the nature of reality

and the role of an individual within that reality has an influence on the nature of a study. Indeed, the choice of working with a single case study methodology has epistemological and ontological implications. Regardless of which theories are chosen, researchers must be mindful of limitations. This includes the ongoing debate around the advantages and drawbacks of qualitative versus quantitative studies. Notwithstanding, qualitative studies provide opportunities for developing and refining concepts, creating new categories that help sense making. Over three decades ago, Spencer and Dale (1979) argued that *new conceptualizations are the most important contributions to knowledge, for they enable one to define and, thereby, control reality* (p. 58). In addition, while data might confirm or disconfirm existing information, data never offers conclusive information. Inferences of generalization are always tentative propositions. The strength of the evidence is a matter of judgment (Kennedy, 1979) – that is, sample size does not necessarily correlate with greater generalization. This being said, internal validity, external validity, reliability, and objectivity (Denzin & Lincoln, 2005) can all be applied to strengthen a study. These were discussed in greater detail in Chapter 4. The current thesis suffers from the usual limitations associated with a single-case study. For example, the particular industry (education) and size of the social enterprise (500 volunteers), as well as the background and personality of Mavrinac, might have influenced the results, affecting any attempt at generalization.

Availability of data might be another limitation. Aidha is a private enterprise registered as a charity in Singapore, which precludes it from having to submit financial data to the same extent as is the requirement for publicly listed enterprises. However, a P&L report was provided as well as future budget needs and financial projections. Data collection did not involve the use of psychological tools (e.g., to measure confidence

bias, Myerrs-Briggs profiles) as this was not within the scope of the work, but an attempt was made to collect data from a number of different sources, across an eight-month period to increase the veracity of information acquired. Finally, the case study is situated in Singapore, and the social enterprise was founded by a U.S. citizen. While an assessment of the impact and influence of both individual and national culture was outside the scope of current thesis, both should be considered as issues for further research. Clearly, the present study will have to be replicated to validate the proposed model.

A further limitation lies with defining and operationalizing premises of social entrepreneurship, let alone entrepreneurship. It is only if one agrees that entrepreneurship is the process by which individuals create and/or pursue opportunities without regard for the resources they currently control (Hart, Stevenson, & Dial, 1996; Stevenson & Jarillo, 1990; Stevenson & Sahlman, 1987), thereby creating new organizations (Gartner, 1988) and creating value for the community at large (Peredo & Mclean, 2006), that one might agree that social entrepreneurship is a form of new enterprise and that social entrepreneurs might employ similar decision-making processes to those of other entrepreneurs. As a result, social enterprises should exhibit effectual principles. Their founders would be expected to start with their means, build partnerships with committed stakeholders, consider affordable loss, and welcome contingencies as part of new venture creation.

Furthermore, literature on social entrepreneurship does not seem to address the fact that many social enterprises are created in one country yet operate in another, or are funded in one country and operate in another. This phenomenon is bound to have implications in terms of resource acquisition and allocation, stakeholder relationships,

and cultural factors. However, it is not the purpose of this thesis to look into this aspect.

Use of effectuation as the theoretical basis for this thesis carries its own limitations. Effectuation builds on a specific body of entrepreneurship research, that which looks at the process by which new ventures are created. As such, it sits in the *how*, rather the *who* or *what* camp of research, as highlighted in the literature review section of this summary. Effectuation is built on the study of expert entrepreneurs, and has a qualitative basis, not a quantitative one, which, as noted, carries its own limitations. Furthermore, a number of scholars (e.g., Kraaijenbrink, 2008) have argued that effectuation does not sufficiently explain the entrepreneurial process and its relation to firm survival and growth.

What effectuation does not do is examine the behavioral characteristics and psychological traits of entrepreneurs. Indeed, decision biases, as exemplified by prospect theory (Kahnman & Tvesky, 1973), are not addressed in this thesis, which aims to look at the process by which social enterprises are founded, and not at the psychological biases that invariably influence the decisions made by a founder. However, it must be acknowledged that a number of authors (Dosi & Lovallo 1997; March, 1988; Thornton, 1999) have argued that decision-making biases have important implications for the nature of entrepreneurship and for how and why entrepreneurs found new ventures. Dosi and Lavallo (1997), for example, noted that *evidence of high-level firm failure rates appears to be consistent with experimental data showing that, typically, people are unrealistically optimistic, exhibit illusions of control in even modestly complex environments, and systematically neglect the statistics of previously observed performances (...) grossly optimistic errors are especially likely if the project*

involves new technology or otherwise places the firm in an unfamiliar territory (pp. 41-42).

Arnold (1986), looking into the cause of failure in capital investment projects found that *when managers look at the downside they generally describe a mildly pessimistic future rather the worse possible future* (p.81). Previous research (Hmieleski & Baron, 2009; Busenitz & Barney, 1997; Åstebro et al., 2007) indicates that entrepreneurs are generally high in dispositional optimism - the tendency to expect positive outcomes even when such expectations are not rationally justified. The work of these authors is relevant in the context of social entrepreneurship for at least two reasons. First, social entrepreneurs, as noted in Chapter 2, work in unfamiliar territory or with new technology, and so, might be particularly sensitive to optimism bias. Secondly, according to a number of authors (March 1991; Lant & Baum, 1995) a social entrepreneurs' assessment of personal means and affordable loss, as posited in propositions P1a and P1b, are possibly particularly susceptible to bias, including unrealistic optimism (thinking one's resources are sufficient or underestimating the impact of failure, and competitive blind spots). Kahnman and Tvesky (1973) postulated that in the context of risk taking, individuals are both risk averse for gains and risk seeking of losses as a result of a diminishing sensitivity for absolute quantities. Risk seeking preferences for loss *imply that when people have not made peace with their losses they are likely to place lower than expected value bets in order to break even. On average these bets will fail and lead to even greater losses* (p. 78). A robust body of evidence highlights the pervasiveness of these types of biases in individual decision-making (Kahneman & Tversky, 1973, 1986; Shafir & Tversky, 1992). As such, entrepreneurs might exhibit the risk of escalating commitment in the face of failure.

Because social entrepreneurs frequently exhibit great passion for the causes they champion, the temptation to keep going beyond reason is high.

Finally, the literature consulted for this study came from a variety of sources. These included libraries (including more specifically the IMD and SMU libraries), conferences, personal contacts in the field, and electronic databases. As a result of the contemporary nature of the subject, a large weight was given to electronically available articles, particularly in the case of social entrepreneurship. It can thus be argued that some classical texts might have been overlooked. However, one might reasonably claim that contemporary literature builds on classical literature.

Implications for Research, Policy, and Practice

Implications of the research presented in this thesis can be grouped into three categories: Research, policy, and practice.

Implications for research

As noted in the introduction, there is a dearth of research on what makes for successful social enterprises. Yet the *industry* employs over 40 million people and 200 million volunteers (Leadbeater, 2007). What was once a charitable pursuit has grown to include all the players of the for-profit world. Current research and pertinent literature focuses on defining social enterprises, understanding funding models, and attempting to determine measures for return on investment. A majority of the work centers on defining the phenomenon and classifying these enterprises along a continuum (Dees, 2001; Rangan, 2008).

This thesis adds to the body of work on social entrepreneurship by proposing a set of principles pertinent to commercial enterprises, and demonstrating their applicability to social enterprises (in line with Dees, 2001; Peredo & Mclean, 2006). By demonstrating that the decision-making processes are the same, one can use effectuation to look for indications of the future sustainability of social ventures. Adoption of these principles helps further understanding of how social entrepreneurs launch ventures and what factors impact the sustainability of social ventures. As such, this thesis extends the validity of effectuation into the realm of social enterprises while focusing on an element that appears critical to the sustainability of social ventures: Partnerships. The founder of aidha, Mavrincac, confirmed that she had underestimated the importance of partnerships, seeing them instead as relationships that required more nurturing and time than she had the time for. Yet, social enterprises that are able to generate social capital appear to be more sustainable than others. And what is social capital but the ability to create better partnerships!

The importance of managing partnerships successfully has been noted by a number of authors (Hart, Stevenson, & Dial, 1996; Sahlman, 1996), with reference both to commercial and social entrepreneurs. In particular, Austin, Stevenson and Weisbren, (2006) noted that:

While social entrepreneurs are seeking to attract resources for the social good, rather than for financial returns, they rely just as much, if not more so, on a robust network of contacts that will provide them with access to funding, board members, and management and staff, among other resources. To attract these resources, social entrepreneurs, like their commercial counterparts, must have a strong reputation that engenders trust among its contributors, and a willingness to invest in the social

enterprise and its mission. Additionally, a social entrepreneur must be skilled at managing a wider diversity of relationships with funders, managers, and staff from a range of backgrounds, volunteers, board members, and other partners, with fewer management levers, as financial incentives are less readily available, and management authority over supporters, volunteer staff, and trustees is rather limited. The diversity of relationships also extends to the types of relationships, as social entrepreneurs may often need to work collaboratively with other nonprofit organizations, business, and government to attain the resources critical for the organization. (p.11)

However, while these authors note the importance for social entrepreneurs to manage multiple stakeholder groups successfully, little is said about how social entrepreneurs might do this. Research into how social entrepreneurs manage large and diversified stakeholder groups successfully would add to the existing body of research and provide a valuable basis upon which to build practical recommendations.

A second, related implication for research is that pertaining to entrepreneurship in emerging economies (Hammond, Kramer, Katz, Tran, & Walker, 2007). This needs-driven form of entrepreneurship is different from that found in most western countries: Income is uncertain and irregular, there is a dearth of rules and regulations coupled with political instability and relatively lower schooling levels (Anderson–Macdonald, 2012; de Mel, McKenzie, & Woodruff, 2010). While some scholars believe that these micro-entrepreneurs will never make the transition to small-to-medium sized businesses (Schoar, 2010) others (de Mel, McKenzie, & Woodruff, 2010) believe that it is a matter of creating an enabling environment. One way of supporting these micro-enterprises is by providing relevant, hands-on entrepreneurial education along the lines of that developed by aidha (Chandy & Narasimhan, 2011). For example, the impact of

knowing how to manage cash flow was significant for aidha's students and, in some cases, averted bankruptcy for small businesses back home. To date, research has focused primarily on financial capital, but further research is warranted to understand the potential impact of managerial (in the form of education) and social (in the form of partnerships) capital in supporting healthy businesses (Berge, Bjorvatn, & Tungodden, 2011).

The third implication for research relates to the development of a conceptual framework to help frame the decision-making processes of social entrepreneurs. The current framework builds on the effectual framework for new venture creation (Read et al., 2011), putting it in the social enterprise context. This framework should be developed further and the current suggestion that partnerships are important to the sustainability of social enterprises merits testing. In addition, this model should stimulate the development and testing of alternative models. To date, there are no existing models and frameworks that focus on the launch of new social ventures. Literature focusing on resource appropriation and allocation (effectuation, bricolage, and other resource-based views of firm formation) might present a useful starting point (Corner & Ho, 2009; Dees, 2001; Stevenson & Jarillo, 1990).

Decision biases, as exemplified by prospect theory (Kahnman & Tvesky, 1973), are not addressed in this thesis, which aims to look at the process by which social enterprises are founded, and not at the psychological biases that invariably influence the decisions made by founders. That being said, further research into how these biases influence the initial assessment of social entrepreneurs' means and affordable loss would provide valuable insight into the quality of the original decision to launch a venture.

Implications for policy

Social enterprises operate in areas where there is a much higher potential for value creation than for value appropriation (Chell, 2007). This tendency to *occupy* the value creation space is important because it has an impact on the types of stakeholders that select into ventures (Santos, 2009). Increasingly, business, nonprofits, and governments work together in an amalgam of blended value creation where social and economic factors are combined to develop ethical or social capital (Ridley-Duff & Bull, 2012). Because of the nature of what they do, as well as the typical sources of funding, the market does not necessarily weed out inefficient or ineffective social ventures. Investors have attempted to rely instead on other measures, including social return on investment, expected return on investment, and subjective measures such as passion. By proposing a different way of looking at social enterprises, this thesis helps those who invest in social enterprises think about elements that determine the sustainability of social ventures. For example, potential partners might choose to assess social entrepreneurs' affordable loss and means as an indication of whether these are aligned and sufficient for success. Understanding the importance of partnerships might prompt investors to work on this aspect when helping social enterprises grow and develop.

This research is important to policy makers involved in stimulating employment in emerging markets. As noted above, while micro-entrepreneurship is widespread, few entrepreneurs grow their businesses beyond a size that allows for basic poverty alleviation (Klinger & Schundeln, 2011). First, it is critical that we understand, through the help of systematic research, how best to help entrepreneurship grow in emerging

markets (Anderson-Macdonald, 2012; Collins, Murdoch, Rutherford, & Ruthven, 2009). Indeed, *we need a much more nuanced and detailed understanding of [micro and small entrepreneurs] before appropriate policies can be devised* (de Mel, McKenzie, & Woodruff, 2010, p. 25). By supporting micro-entrepreneurs with financial, managerial, and social capital, their energy and determination can be funneled to fuel growth and prosperity rather than frustration and unrest (Chandy & Narasimhan, 2011). This perspective would take *teaching to fish rather than fish* to an entirely new level, truly focusing on the individual and providing these entrepreneurs with lifelong skills.

Social entrepreneurs are faced with a number of constraints that make delivering on this vision more challenging. Austin, Stevenson and Wei-Skillert (2006) argued that social entrepreneurs are faced with limited access to the best talent; fewer financial institutions, instruments, and resources; and, scarce unrestricted funding. The importance of managing a network of stakeholders that support the mission is critical, and social entrepreneurs need to learn to leverage their reputations and networks. Such capabilities include *investing in systems, such as information technology for managing members, volunteers, and funders, or collaborating with other nonprofits to deliver programs or services, or cross-sector partnerships that bring valuable resources to the social enterprise, while creating mutual benefit for the government or the corporate partner* (Austin, 2000, p, 12). These constraints mean that social entrepreneurs need to develop rich and extensive networks of supporters, contacts and resources beyond the boundaries of the venture. But they also need to develop the skills to manage the various relationships in this network effectively. It is in support of these partnerships and stakeholder groups that governments, corporations and civil society could play a

greater role. Indeed, Grønbjerg, Martell, & Paarlberg, (2000) noted that *while networks are important in commercial entrepreneurship, political and relationship management skills are of utmost importance to social entrepreneurs because such a large portion of the resources they rely upon for success are outside their direct control, from board members to donors, partners, and volunteers. For example, research suggests that grantor–grantee relationships are often a more powerful determinant of the grant decision than the particulars of the proposal.* (p. 31)

Governments should be encouraged to reassess, evaluate, and clarify policies relating to micro-entrepreneurship. For example, education could be made a pre-condition to lending, and barriers to employment for small businesses eased. On a side note, many of the recommendations made for entrepreneurial education at the bottom-of-the-pyramid are equally valid in developed markets where entrepreneurship lies at the heart of economic growth.

Finally, if future research continues to demonstrate the importance of partnerships in the sustainability of social enterprises, networks comprising social enterprises, philanthropic institutions, government bodies, and the constituencies of the social enterprises should support the development of strong partnerships.

Implications for practice

Implications for practice impact a number of players in the field, including social enterprises, microfinance institutions, education providers, philanthropists, and global networks such as the Schwab foundation.

By demonstrating that social enterprises are launched using the same set of heuristics as other forms of commercial new ventures, this thesis helps practitioners

build successful enterprises by alerting them to critical points to consider at launch. What effectuation proposes that causal models of new venture creation do not, is how to operate in unpredictable, uncertain environments. Social entrepreneurs often have no existing models to follow, and there is no market in the classical sense of the word. There is, however, a clearly defined customer base, and it might be easier to coopt this base to become part of the stakeholders, as they are directly impacted by the product or service offered. Thinking along effectual lines helps social entrepreneurs do consciously what they might otherwise have done subconsciously, if at all. Recognizing ones' means, building networks of committed stakeholders, assessing one's and other's affordable loss and embracing contingencies can lead to successful and resilient organizations. As such, social entrepreneurs and their funders should re-examine the adequacy and solidity of their means and partnerships.

It was noted earlier that decision-making biases have important implications for the nature of entrepreneurship and for how and why entrepreneurs found new ventures. Partners and extended stakeholder groups would do well to assess the biases and assumptions under which a social venture is founded. Understanding how social entrepreneurs determine their affordable loss and their means would provide an initial indication of the solidity of a founder's assessment.

Schools should consider whether the curriculum offered to young adults and teenagers is appropriate and sufficient to prepare students for entry into the workforce. In this researcher's view, entrepreneurship should be part of the core curriculum of schools, providing skills that can be used to launch companies at a later stage. In developing countries, microfinance institutions should consider partnering up with education service providers: After all, if their clients' businesses are more successful,

the loans will also be paid back without depending on the group to stand in for defaulting borrowers, thereby increasing the wealth and wellbeing of the community (Bruhn & Zia, 2011).

Finally, this research has implications for the corporate social responsibility (CSR) efforts of large corporations. In Asia, classical philanthropy has been driven by need – social necessity. Businesses involved themselves in healthcare, education, and infrastructure as these were lacking in the environments in which they operated. Businesses had no choice but to contribute to nation building in order to run successful, profitable businesses. By supporting the development of healthy local economies, in this case through education around running successful small businesses, companies could further help alleviate poverty. By thinking about the sustainability of the social enterprises they support, and by contributing to said sustainability by assisting in developing robust partnerships, businesses could encourage the growth of these enterprises through the development of global networks comprising relevant actors.

Conclusion

Findings of the present thesis have a number of important implications for the field of social entrepreneurship, as well as for public policy makers and organizations that support the development of social ventures. On the practical side, this thesis demonstrates that social enterprises function along the same decision-making principles as other forms of commercial new ventures, helping practitioners build successful enterprises by adding to their toolbox. Thinking along effectual lines helps entrepreneurs to take into consideration what may be essential elements for entrepreneurial success. In addition, providing a framework within which to assess

potential indicators of sustainability helps investors in social enterprises make informed choices. On the theoretical side, this thesis contributes to theory on social entrepreneurs and the launch of social enterprises, while also addressing claims that social enterprises cannot be viewed through the same lens as for-profit enterprises (Austin et al., 2006; Dees & Anderson, 2003). Indeed, findings indicate that effectuation is a useful tool with which to assess the decision-making principles of social entrepreneurs and that the various elements that compose effectuation logic are important in determining the sustainability of a social enterprise. As such, this thesis extends the use of the effectuation framework from commercial entrepreneurship to social entrepreneurship.

To conclude, the primary contribution to the field is the manner in which this thesis examines social venture creation in a novel way. The present findings are important, as social enterprises are a growing phenomenon globally. Researchers, policy makers, and practitioners are therefore advised to consider the importance of committed stakeholder and partners in the founding and sustainability of social enterprises.

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APPENDICES

Appendix 4.1. aidha budget

aidha ltd.					
budget estimates FY 2011 (june 2010 - july 2011)					
revenues					
			july-dec	jan-june	total
contribution					
	friends of aidha		25,000.00	25,000.00	50,000.00
	other donations		-	-	-
earned revenues					
	course fees		65,500.00	65,500.00	131,000.00
	merchandise sales		4,500.00	4,500.00	9,000.00
	MOM		15,000.00	15,000.00	30,000.00
	PPIS		30,000.00	50,000.00	80,000.00
total revenues			140,000.00	160,000.00	300,000.00
expenses					
	executive director		24,780.00	24,780.00	49,560.00
	managing director		27,000.00	27,000.00	54,000.00
	schoolhouse staff		28,320.00	28,320.00	56,640.00
	volunteer recognition		1,095.33	1,095.33	2,190.67
	volunteer stipend		10,663.33	10,663.33	21,326.67
	rent		25,657.33	25,657.33	51,314.67
	other operating exp.		14,378.67	14,378.67	28,757.33
	technology		12,000.00	5,000.00	17,000.00
	travel		2,254.67	2,254.67	4,509.33
	professional fees		5,400.00	7,100.00	12,500.00
	bank charges		479.33	479.33	958.67
total expenses					
			152,028.67	146,728.67	298,757.33
net profits					

Appendix 4.2. Open-ended interview questionnaire

Means

- Describe your means at the start of the venture (who you are, who you know, what you know).
- How much do you think you tapped into those means when you launched aidha?
- Was there a category of means or a mean which you found to be more important than others? If yes, which one?
- Could you create a hierarchy of these for me? (from most important to least important)
- Have your means evolved over time? If yes, in what ways?

Affordable loss

- Did you consider what you could afford to lose when you left your job to start this venture (time, money, status, etc.)?
- How did this impact your decisions on a daily basis?
- Did you think about expected returns? If yes, in what terms?

Committed stakeholders

- Who did you partner with?
- At what stages in the venture?
- What did these partners bring to the venture?
- Do you think they may have changed the direction of the venture? If yes, how?
- Did your partners (type) change over time?

Contingencies

- Can you give me examples of surprises along the way?
- How did you deal with those surprises?
- Did they change your “plan”?

Generic questions:

- Why did you make this decision?
- What influenced your decision?

Appendix 4.3. aidha newsletter

aidha
the world's micro-business school

May, 2012

Vol.4-2012

www.aidha.org
2 Nassim Road Singapore 258370
+65 6732 5434



It's been a marvelous May!

In this issue, read about:

- the incredibly successful Fiesta Latina fundraiser
- workshops and brainstorming sessions with various private partners
- inspiring stories from an aidha graduate and our volunteer of the month
- fundraising news, upcoming events, volunteering opportunities, and more!

We hope you enjoy this edition of aidha singapore. For feedback or comments, please email us anytime at communications@aidha.org. Happy reading!

great minds working for aidha

This month, we owe thanks to several groups from the community who have pitched in with their skills and time to further the aidha cause.

Waggener-Edstrom

After a successful brand messaging workshop, international digital PR agency, Waggener-Edstrom returned to aidha to conduct a social media workshop for the aidha Communications Team and core team members. The session focused on maximising the use of aidha's existing social media platforms such as Facebook and Twitter, to engage the target market effectively.



friends and fundraising

The success of aidha's programmes depends heavily on the support of our community. This month we were blessed with a number of generous contributions from various members of Singapore society.



Fiesta Latina at Senor Tacos

One of aidha's most successful fundraising events took place on May 17 at the **Canon Solu** Senor Tacos

<http://www.bmetrack.com/c/v?e=1A0ED2&c=1E0D8&l=20A1C26&email=9zYZ%2FMmJmNstZCjLwzb7ZHnlkRjLUbPe&relid=C6EC167>

Appendix 5.1. Examples of aidha documentation showcasing impact.

So It's True – We Change Lives at aidha!

We were very excited to see the findings of a recent survey of alumni conducted by our research team. As you know, impact assessment is an important part of the aidha toolkit as it allows us to determine if our interventions are effective. In order to measure the impact of our initiatives on students, we interviewed 52 former aidha students (mostly Indonesian and a small number of Filipinas) from our 2006 – 2011 batches. The findings show that our efforts to empower students with the tools and confidence to take control of their finances and start businesses have certainly made a difference! Driven by a motivation to set up their own businesses, a majority of aidha students save regularly and invest in assets.

A clear indicator of students' financial awareness is the fact that almost two-thirds of graduates surveyed own a bank account both in Singapore and in their home countries. Two-thirds of our students who completed the Compass Club, aidha's experiential savings programme, saved an average of S\$2024 (on average salaries of \$450!) and the majority of our students save an average of S\$200 monthly. Instead of spending their hard earned income on telephone bills, students now invest their savings in assets like land and small businesses.

Another exciting finding is that over half of the graduate students surveyed had already started small businesses such as grocery stores and livestock farms, most of which were still running successfully. Most graduates owned more than one business! In fact, students' businesses were able to support an average of four family members financially, and create work opportunities for students' siblings and parents. In a positive ripple effect, our students not only set up their own successful businesses but also provided business ideas, advice and start-up capital to others venturing out on their own.

I learned a lot from aidha, and I also encouraged some of my friends because it's so useful, especially for those women who are self-supporting, single mothers. I learned how to budget my income, manage my time and money, and prepare for my future business. I'm really thankful," said a student while describing her aidha experience.

Help us create more impact! Make a donation at our [Run for aidha fundraising website](#). Thank you for helping us to change lives!

by ruchy hajela

Appendix 5.2. An aidha student talks about the impact of the Compass Clubs for her.

Small Changes. Big Impact.

aidha student, Carlota Domingo, talks about the steps she has taken to achieve her dreams. Carlota Domingo is a Filipina domestic helper who has been living in Singapore for seven years. To her, investing in her financial education has become her priority in life.

She shares that losing her mother only after eight months of being away from the Philippines had inspired her to work even harder for her family, and also to invest in her future project: opening her own restaurant. When asked what drives her in her work, Carlota answers: My ambition and dreams of success.

In pursuit of her aspirations, aidha became really important to her. In Carlota's own words: aidha has boosted my confidence to achieve my dreams.

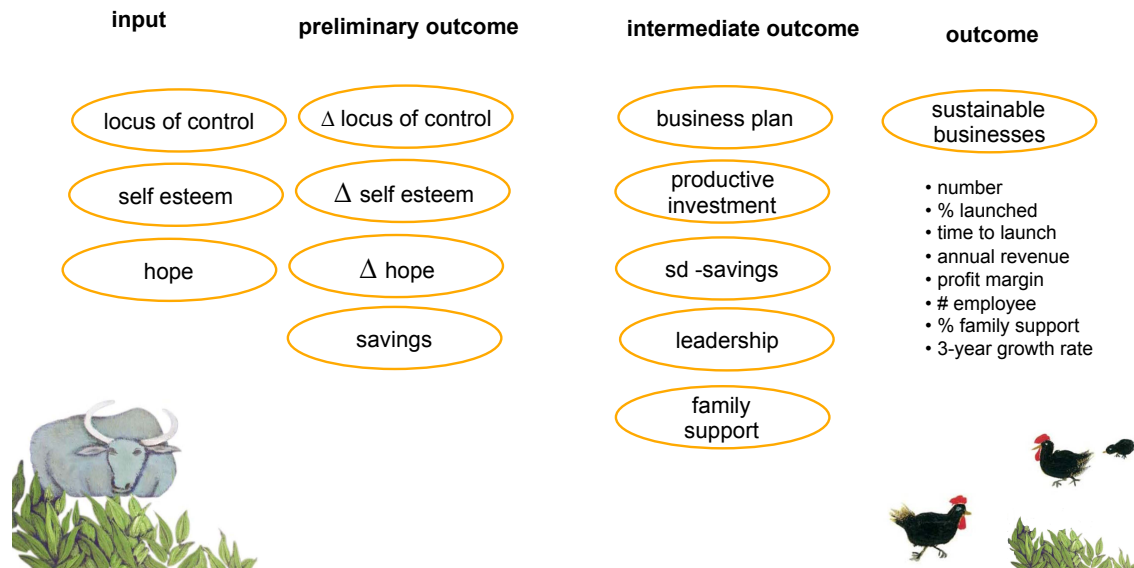
Carlota has been involved in a Financial Compass Club programme, where she learned the importance of writing down every dollar spent, saving some money every payday – all tiny but significant changes that made her feel that the results were like magic. Carlota also points out the advantages of improving her computer skills: I use the computer to communicate with my family, which allows me to cut back on phone calls. I also do the budget for the whole year on Excel, and I can now also search on Google when I need to look for recipes for Project Makan.

Being a student in a Leadership Club also enhanced her self-confidence: Before, you couldn't expect me to deliver a speech for an audience of new volunteers, but now, I believe I can do a great job. Summing up her learning at aidha, Carlota says: From marketing, sales, food preparation, inventory and market research, everything I am learning here will be a big help when it's time for me to start up my own restaurant.

Finally, Carlota also remarks that she has been inspired by all the volunteers, who share their knowledge with aidha students like her. She ends our conversation by saying: On behalf of the students, I thank all the volunteers for their dedication to aidha. The writer Katherine Mansfield wrote: I want to be all that I am capable of becoming. Here at aidha, Carlota certainly has the opportunity to do that. We wish her the best of luck!

Appendix 5.3. aidha's metrics for Venture Clubs: Input and expected outcomes

our metrics & diagnostics



Appendix 5.4. aidha financial statements

AIDHA			
(Registered under the Societies Act Cap. 311)			
Statement of Financial Position as at 30 June 2010			
	<u>Notes</u>	<u>2010</u>	<u>2009</u>
		\$	\$
<u>ASSETS</u>			
<u>Non-Current Asset</u>			
Property, plant and equipment	5	6,038	2,956
Total Non-Current Asset		<u>6,038</u>	<u>2,956</u>
<u>Current Assets</u>			
Inventories	6	21,926	19,975
Trade receivables	7	1,200	-
Other receivables	8	12,131	12,270
Cash and bank balances		<u>29,246</u>	<u>25,442</u>
Total Current Assets		<u>64,503</u>	<u>57,687</u>
Total Assets		<u>70,541</u>	<u>60,643</u>
<u>ACCUMULATED FUNDS AND LIABILITIES</u>			
<u>Accumulated Funds</u>			
General fund		45,294	45,481
Restricted fund	9	-	1,999
Total Accumulated Funds		<u>45,294</u>	<u>47,480</u>
<u>Current Liabilities</u>			
Other payables	10	20,911	13,163
Current tax liabilities		<u>4,336</u>	<u>-</u>
Total Current Liabilities		<u>25,247</u>	<u>13,163</u>
Total Liabilities		<u>25,247</u>	<u>13,163</u>
Total Accumulated Funds and Liabilities		<u>70,541</u>	<u>60,643</u>

The accompanying notes form an integral part of these financial statements.

AIDHA			
(Registered under the Societies Act Cap. 311)			
<u>Statement of Changes in Accumulated Funds for the year ended 30 June 2010</u>			
	<u>General fund</u>	<u>Restricted fund</u>	<u>Total</u>
	\$	\$	\$
Balance as at 30 June 2008	38,552	15,740	54,292
Net surplus/(deficit) for the year, representing total comprehensive income for the year	<u>6,929</u>	<u>(13,741)</u>	<u>(6,812)</u>
Balance as at 30 June 2009	45,481	1,999	47,480
Net deficit for the year, representing total comprehensive income for the year	<u>(187)</u>	<u>(1,999)</u>	<u>(2,186)</u>
Balance as at 30 June 2010	<u>45,294</u>	<u>-</u>	<u>45,294</u>

The accompanying notes form an integral part of these financial statements.